

## IMPORTANT NOTICE

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

**Confirmation of Your Representation:** In order to be eligible to view the attached offering memorandum or make an investment decision with respect to the securities, you must: (i) be a “qualified institutional buyer” (within the meaning of Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”)); or (ii) be non-U.S. persons (within the meaning of Regulation S under the Securities Act) outside the United States. You have been sent the attached offering memorandum on the basis that you have confirmed to the initial purchaser set forth in the attached offering memorandum (the “Initial Purchaser”), being the sender or senders of the attached, that: (A) you and any customers you represent are either (i) “qualified institutional buyers” or (ii) not a U.S. person and the electronic mail (or e-mail) address to which it has been delivered is not located in the United States of America, its territories and possessions, any state of the United States and the District of Columbia; “possessions” include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands; and (B) you consent to delivery by electronic transmission.

The materials relating to the offering contemplated by the attached offering memorandum do not constitute, and may not be used in connection with, an offer or a 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 Purchaser or any affiliate of the Initial Purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchaser or such affiliate on behalf of the issuer in such jurisdiction.

Under no circumstances shall the attached 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 offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, neither the Initial Purchaser nor any person who controls the Initial Purchaser nor the Issuer or any of the Guarantors nor any director, officer, employer, employee or agent of theirs, or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format.

You are reminded that the attached offering memorandum has been delivered to you on the basis that you are a person into whose possession the attached 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 this offering memorandum to any other person. You may not transmit the attached 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 Purchaser.

**Restrictions:** Nothing in this electronic transmission constitutes an offer of securities for sale in the United States or any other jurisdiction. Recipients of the attached 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 attached offering memorandum. Any securities to be issued will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration.

This communication is directed solely at persons who (i) are outside the United Kingdom; (ii) are investment professionals, as such term is defined in Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Financial Promotion Order”); (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, or “FSMA”) in connection with the issue or sale of any Additional Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). The attached offering memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the attached offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on the attached offering memorandum or any of its contents.

Vougeot Bidco p.l.c.



**€70,000,000 Senior Secured Floating Rate Notes due 2020**

**Offering Price: 97.5% plus accrued interest from (and including) October 15, 2014**

Vougeot Bidco p.l.c. (the "Issuer"), a public limited company organized under the laws of England and Wales, is offering (the "Offering") €70,000,000 in aggregate principal amount of its Senior Secured Floating Rate Notes due 2020 (the "Additional Notes"). The Additional Notes offered hereby are being issued as additional notes under the indenture, dated as of July 18, 2013 (the "Indenture") pursuant to which the Issuer issued £300,000,000 7.875% Senior Secured Notes due 2020 (the "Original Fixed Rate Notes") and €290,000,000 Senior Secured Floating Rate Notes due 2020 (the "Original Floating Rate Notes" and together with the Original Fixed Rate Notes, the "Original Notes" and together with the Additional Notes, the "Notes"). The Additional Notes will be treated as a single class together with the Original Notes for all non-tax purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. However, the Additional Notes will be issued with original issue discount ("OID") for U.S. federal income tax purposes, and therefore the Additional Notes will trade separately under different ISIN numbers than the corresponding Original Floating Rate Notes.

The Additional Notes will bear interest at a per annum rate equal to three-month EURIBOR plus 5.25% per year, reset quarterly. The Issuer will pay interest on the Additional Notes quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, commencing on January 15, 2015. The Additional Notes will mature on July 15, 2020.

The Issuer may redeem the Additional Notes in whole or in part at any time at the redemption price specified herein. Additionally, the Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all of the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any.

The Additional Notes will be senior obligations of the Issuer and will be guaranteed (the "Guarantees") on a senior secured basis by the Guarantors (as defined herein).

The Additional Notes and the Guarantees thereof will be secured by first-ranking security interests granted on an equal and ratable first-priority basis over the Collateral (as defined herein). See *"The Offering — Collateral"* and *"Description of the Notes — Collateral."*

Application has been made to list the Additional Notes on the Official List of the Irish Stock Exchange and to admit the Additional Notes for trading on the Global Exchange Market, which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. This offering memorandum constitutes the Listing Particulars in respect of the admission of the Additional Notes to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange and has been approved by the Irish Stock Exchange. There is the risk that the Additional Notes will not be listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market thereof. The Original Notes have been listed on the Official List of the Irish Stock Exchange and are admitted for trading on the Global Exchange Market.

**See "Risk Factors" beginning on page 26 of this offering memorandum before making any investment decision.**

**Price for the Additional Notes: 97.5% plus accrued interest from (and including) October 15, 2014.**

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

The Additional Notes will be issued in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Additional Notes will be represented on issue by one or more global notes and the Initial Purchaser expects to deliver the Additional Notes in book-entry form through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream") on or about November 11, 2014. Interests in each global note will be exchangeable for the relevant definitive notes only in certain limited circumstances. See *"Book-Entry, Delivery and Form."*

Global Coordinator and Bookrunner

**Morgan Stanley**

The date of this offering memorandum is November 4, 2014.

## IMPORTANT INFORMATION

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

You should base your decision to invest in the Additional Notes solely on information contained in this offering memorandum. Neither we nor the Initial Purchaser have authorized anyone to provide you with different information. In addition, neither we nor the Initial Purchaser nor any of our or their respective representatives are providing you with any legal, business, tax or other advice in this offering memorandum. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Additional Notes.

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

The Issuer and Guarantors accept responsibility for the information contained in the Listing Particulars and, having taken all reasonable care to ensure that such is the case, the information contained in the Listing Particulars is, to the best of the Issuer's and Guarantors' knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

The Initial Purchaser, the Trustee and any other agents acting with respect to the Additional Notes accept no responsibility for and make no representation or warranty, express or implied, as to the accuracy or completeness of the information set out in this offering memorandum and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation by the Initial Purchaser, the Trustee, or any other agents acting with respect to the Additional Notes as to the past or the future. By receiving this offering memorandum, you acknowledge that you have not relied on the Initial Purchaser or their respective directors, affiliates, agents or advisors in connection with your investigation of the accuracy of this information or your decision whether to invest in the Additional Notes.

By purchasing the Additional Notes, you will be deemed to have acknowledged that you have reviewed this offering memorandum and have had an opportunity to request, and have received all additional information that you need from us. No person is authorized in connection with any offering made by this offering memorandum to give any information or to make any representation not contained in this offering memorandum or any pricing term sheet or supplement and, if given or made, any other information or representation must not be relied upon as having been authorized by us or the Initial Purchaser.

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

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

any other person, other than persons retained to advise you in connection with the purchase of the Additional Notes.

By accepting delivery of this offering memorandum, you agree to the foregoing restrictions and agree not to use any information herein for any purpose other than considering an investment in the Additional Notes. This offering memorandum may only be used for the purpose for which it was published.

The information contained under “*Exchange Rate Information*” includes extracts from information and data publicly released by official and other sources. While we accept responsibility for accurately summarizing the information concerning exchange rate information, we accept no further responsibility in respect of such information. The information set out in relation to sections of this offering memorandum describing clearing and settlement arrangements, including the section entitled “*Book-Entry, Delivery and Form*,” is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream.

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

Neither the U.S. Securities and Exchange Commission (the “SEC”), any state securities commission nor any non-U.S. securities authority has approved or disapproved of these securities or determined that this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

The Issuer intends to list the Additional Notes on the Official List of the Irish Stock Exchange for trading on the Global Exchange Market, and will submit this offering memorandum to the Irish Stock Exchange in connection with the listing application. The Issuer may also be required to update the information in this offering memorandum to reflect changes in our business, financial condition or results of operations and prospects. We cannot guarantee that our application for the Additional Notes to be listed on the Official List and to be admitted to trading on the Global Exchange Market of the Irish Stock Exchange will be approved as of the settlement date for the Additional Notes or at any time thereafter, and settlement of the Additional Notes is not conditioned on obtaining this listing.

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

We reserve the right to withdraw this offering of the Additional Notes at any time. We are making this Offering subject to the terms described in this offering memorandum and the purchase agreement relating to the Additional Notes to be dated the date of this offering memorandum (the “Purchase Agreement”). We and the Initial Purchaser may reject any offer to purchase the Additional Notes in whole or in part and to allot to any prospective purchaser less than the amount of the Additional Notes sought by it. The Initial Purchaser and certain of their respective related entities may acquire, for their own accounts, a portion of the Additional Notes.

## **Tax Considerations**

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

## **STABILIZATION**

IN CONNECTION WITH THIS OFFERING MORGAN STANLEY & CO. INTERNATIONAL PLC (THE “STABILIZATION MANAGER”) (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) MAY OVER-ALLOT ADDITIONAL NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE ADDITIONAL NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THE STABILIZATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) MAY NOT UNDERTAKE ANY SUCH STABILIZATION ACTION. SUCH STABILIZATION ACTION, IF COMMENCED, MAY BEGIN ON OR AFTER THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE ADDITIONAL NOTES AND MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE ADDITIONAL NOTES. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

## **NOTICE TO NEW HAMPSHIRE RESIDENTS**

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

## **NOTICE TO PROSPECTIVE INVESTORS**

The Additional Notes and the Guarantees thereof have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The Offering of the Additional Notes is being made only to “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act) and to non-U.S. persons (within the meaning of Regulation S) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S. Prospective purchasers that are qualified institutional buyers are hereby notified that the Initial Purchaser of the Additional Notes may be relying on an exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

## **NOTICE TO CERTAIN EUROPEAN INVESTORS**

### **European Economic Area (“EEA”)**

In relation to each member state of the EEA that has implemented the Prospectus Directive (as defined below) (each, a “Relevant Member State”), the Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), it has not made and will not make an offer of Additional Notes which are the subject of the Offering contemplated by this offering memorandum to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Additional Notes to the public in that Relevant Member State: (a) at any time to any legal entity that is a “qualified investor” as defined in the Prospectus Directive, (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than “qualified investors” as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Initial Purchaser for any such offer, or (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the Additional Notes referred to in (a) to (c) above shall require the publication



by us or the Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Additional Notes to the public” in relation to any Additional Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Additional Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Additional Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measures in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

## **United Kingdom**

The issue and distribution of this offering memorandum is restricted by law. This offering memorandum is not being distributed by, nor has it been approved for the purposes of Section 21 of the FSMA by, a person authorized under the FSMA. This offering memorandum is directed solely at persons who: (i) are investment professionals, as such term is defined in Article 19(5) of the Financial Promotion Order, (ii) are persons falling within Article 49(2)(a) to 49(2)(d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any Additional Notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents. No part of this offering memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any person who is not a relevant person without our prior written consent. The Additional Notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the FSMA.

## **Germany**

The Additional Notes may not be offered and sold to the public, except in accordance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*), the Commission Regulation (EC) No. 809/2004 of April 29, 2004 (as amended) or any other laws applicable in Germany governing the issue, offering and sale of securities. This offering memorandum has not been and will not be submitted to, nor has it been nor will it be approved by, the *Bundesanstalt für Finanzdienstleistungsaufsicht*, the German Financial Services Supervisory Authority. The Additional Notes must not be distributed within Germany by way of a public offer, public advertisement or in any similar manner, and this offering memorandum and any other document relating to the Additional Notes, as well as information contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of Additional Notes to the public in Germany. Consequently, in Germany, the Additional Notes will only be available to, and this offering memorandum and any other offering material in relation to the Additional Notes are directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the Securities Prospectus Act. This offering memorandum and other offering materials relating to the offer of Additional Notes are strictly confidential and may not be distributed to any person or entity other than the recipients hereof. Any resale of the Additional Notes in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws.

## **Ireland**

No action may be taken with respect to the Additional Notes in Ireland otherwise than in conformity with the provisions of (a) the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998, (b) the Companies Acts 1963 to 2013 (as amended), the Central Bank Acts 1942 to 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989, (c) the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued under Section 51 of the Investment Funds, Companies

and Miscellaneous Provisions Act 2005, by the Central Bank of Ireland, and (d) the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank of Ireland.

## Italy

No action has been or will be taken that could allow an offering of the Additional Notes to the public in the Republic of Italy within the meaning of Article 1, paragraph 1, letter t) of Legislative Decree No. 58 of February 24, 1998, as subsequently integrated and amended ("Financial Services Act"). Accordingly, the Additional Notes may not be offered, sold or delivered directly or indirectly in the Republic of Italy, and neither this offering memorandum nor any other offering circular, prospectus, form of application, advertisement, other offering material or other information relating to the Issuer, the Guarantors, or the Additional Notes may be issued, distributed or published in the Republic of Italy, except:

(i) to qualified investors (i.e. *investitori qualificati*), as defined pursuant to Article 100 of the Financial Services Act and Article 34-ter, first paragraph letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as subsequently integrated and amended ("Regulation No. 11971"); or

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

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

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

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as subsequently integrated and amended, pursuant to which the Bank of Italy may request information on the securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or any other applicable requirement or limitation which may be imposed from time to time by CONSOB or other competent authority.

Any investor purchasing the Additional Notes is solely responsible for ensuring that any offer or resale of the Additional Notes by such investor occurs in compliance with applicable laws and regulations.

## Jersey

No person shall, without the consent of the Jersey Financial Services Commission, circulate in Jersey any offer for subscription, sale or exchange of the Additional Notes.

## Poland

The Additional Notes may not be offered or sold in or into Poland except under circumstances that do not constitute a public offering or distribution of securities under Polish laws and regulations. This offering memorandum has not been and will be not approved by *Komisja Nadzoru Finansowego*, the Polish Financial Supervision Authority. The Additional Notes have not been and will not be registered with *Komisja Nadzoru Finansowego*, the Polish Financial Supervision Authority.

## FORWARD-LOOKING STATEMENTS

This offering memorandum contains “forward-looking statements” as that term is defined by the U.S. federal securities laws and within the meaning of the securities laws of certain other jurisdictions, and should be evaluated as such. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this offering memorandum, including, without limitation, those regarding our intentions, beliefs or current expectations concerning, among other things, our future financial condition and performance, results of operations and liquidity; our strategy, plans, objectives, prospects, growth, goals and targets; future developments in the markets in which we participate or are seeking to participate; and anticipated regulatory changes in the industry in which we operate. These statements often include words such as “anticipate,” “believe,” “could,” “estimates,” “expect,” “forecast,” “intend,” “may,” “plan,” “projects,” “should,” “suggests,” “targets,” “would,” “will,” and other similar expressions. These forward-looking statements are contained throughout this offering memorandum, including the sections entitled “Summary,” “Risk Factors,” “Capitalization,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.” We base these forward-looking statements or projections on our current expectations, plans and assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances and at such time. As you read and consider this offering memorandum, you should understand that these statements are not guarantees of performance or results. The forward-looking statements and projections are subject to and involve risks, uncertainties and assumptions and you should not place undue reliance on these forward-looking statements or projections. Although we believe that these forward-looking statements and projections are based on reasonable assumptions at the time they are made, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements and projections. Factors that may materially affect such forward-looking statements and projections include:

- dependence on film production, film licensing, film release windows and film distributors;
- competition with other cinema operators, alternative film delivery methods and other forms of entertainment;
- unexpected fluctuations in our results of operations as a result of timing and quality of film releases, variations in weather conditions and other factors;
- our level of indebtedness and capital structure and the terms of the Additional Notes and our other financing arrangements and inability to obtain additional financing for acquisitions or expansion;
- generate sufficient cash to service our debt, to control and finance our capital expenditures and operations;
- the inability to integrate effectively and realize the benefits of current or potential future acquisitions;
- construction risk associated with and the inability to realize the benefits of new cinema builds;
- costs and risks associated with the industry-wide conversion to digital-based media;
- shrinking film release windows;
- increasing popularity of alternative media delivery methods, including Internet streaming;
- increasing availability of pirated films through illegal Internet downloads and streaming, counterfeit DVDs and other forms of piracy;
- increasing time spent on the Internet;
- our dependence on our senior management team and key personnel;
- the inability to generate anticipated levels of screen advertising or concessions turnover or turnover from alternative content or ancillary sources;
- the inability to realize the benefits from our turnover enhancement and cost reduction strategies;
- the competitive and regulatory environment in which we operate;
- instances of illness, product recalls, epidemics or terrorist attacks;
- increasing rents or unprofitable cinemas;



- impairment losses;
- failure to adapt to future technological innovations;
- work stoppages and other labor disruptions;
- our ability to failure of information technology on which we rely;
- disruption of the relationships with our key suppliers;
- change in or termination of industry-wide promotions;
- general political, social and economic conditions;
- fluctuations in exchange rates;
- liabilities related to environmental laws or litigation;
- factors affecting our leverage and our ability to service debt;
- the effect of operating and financial restrictions in our debt instruments; and
- other factors discussed under “*Risk Factors*.”

The list above is not exhaustive and there are other factors that may cause our actual results to differ materially from the forward-looking statements contained in this offering memorandum. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We undertake no obligation to review or confirm analysts’ expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this offering memorandum.

We disclose important factors that could cause our actual results to differ materially from our expectations in “*Summary*,” “*Risk Factors*,” “*Capitalization*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Business*.” Other sections of this offering memorandum describe additional factors that could adversely affect our business, financial condition or results of operations. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, it means to include effects upon business, financial and other conditions, results of operations and ability to make payments on the Additional Notes.

We assume no obligation to update the forward-looking statements contained in this offering memorandum to reflect actual results, changes in assumptions or changes in factors affecting these statements.

## CERTAIN DEFINITIONS

Unless indicated otherwise in this offering memorandum or the context requires otherwise:

"2013 Financing" refers to financing of the Vue Acquisition and the Multikino Acquisition through the equity contribution by Midco to the Issuer of approximately £4.7 million, the lending of proceeds from the Issuer Loan and the Bridge Loan, and the proceeds of the Original Notes.

"2013 Transactions" refers, collectively, to the Vue Acquisition, the Multikino Acquisition, the 2013 Financing, the entering into the Intercreditor Agreements and the other transactions contemplated thereby, including the repayment of existing indebtedness and payment of fees and expenses.

"Additional Notes" refers to the notes being offered pursuant to this offering memorandum and to be issued under the Indenture.

"AIMCo" refers to Alberta Investment Management Corporation.

"AIMCo Entities" refers, collectively, to PE12PX (Artist) Ltd. and PE12GV (Artist) Ltd.

"Apollo" refers to Apollo Cinemas Limited.

"Bidco" refers to Vougeot Bidco p.l.c., a public limited company incorporated under the laws of England and Wales.

"Bridge Loan" refers to the £34.1 million loan Midco lent to the Issuer pursuant to the Bridge Loan Agreement on August 8, 2013. See "*Certain Relationships and Related Party Transactions — Bridge Loan.*"

"Bridge Loan Agreement" refers to a shareholder loan agreement between Midco and the Issuer dated August 8, 2013 documenting the terms of the Bridge Loan. See "*Certain Relationships and Related Party Transactions — Bridge Loan.*"

"Bridge Loan Notes" refers to the £34.1 million 11% fixed rate unsecured loan notes issued by Finco to the AIMCo Entities and OMERS Entities on August 8, 2013. See "*Certain Relationships and Related Party Transactions — Bridge Loan.*"

"C\$" refers to the lawful currency of Canada.

"CinemaxX" refers to CinemaxX Holdings GmbH (formerly, CinemaxX Aktiengesellschaft) and its subsidiaries.

"Collateral" refers to the rights and the assets securing the Notes and the Guarantees as further described in the section entitled "*Description of the Notes — Collateral.*"

"Consolidated Financial Statements" refers to the following:

- the unaudited interim condensed consolidated financial statements of the Issuer as of and for the 39 week period ended August 28, 2014, prepared in accordance with best practice as derived from IAS 34;
- the unaudited interim condensed consolidated financial statements of VEIL as of and for the 39 week period ended August 28, 2014, prepared in accordance with best practice as derived from IAS 34;
- the audited consolidated financial statements of the Issuer as of November 28, 2013 and for the period from May 2, 2013 (date of incorporation) to November 28, 2013, prepared in accordance with U.K. GAAP, which only reflect the trading results of VEIL and its subsidiaries for the 16 week period from August 8, 2013 to November 28, 2013, as the Issuer acquired VEIL on August 8, 2013;
- the audited consolidated financial statements of VEIL as of and for the 52 week period ended November 28, 2013, prepared in accordance with U.K. GAAP;
- the audited consolidated financial statements of VEIL as of and for the 53 week period ended November 29, 2012, prepared in accordance with U.K. GAAP; and
- the audited consolidated financial statements of VEIL as of November 24, 2011 and for the 56 week period from its incorporation on October 26, 2010 to November 24, 2011, which reflects the trading results for the 49 week period from December 21, 2010 (the date upon which it indirectly acquired 100% of the ordinary shares of Vue Entertainment Investment Limited) to November 24, 2011, prepared in accordance with U.K. GAAP.

"Doughty Hanson" refers to Doughty Hanson & Co Manager Limited.

"EUR," "euros" or "€" refer 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.

"Executive Managers" refers to James Timothy Richards, Alan McNair and Stephen Knibbs.

"FFA" refers to the German Federal Film Board.

"Financing" refers to the financing of The Space Acquisition as described under "*Summary — The Transactions — The Financing.*"

"Finco" refers to Vougeot Finco Limited, a private limited company incorporated under the laws of England and Wales.

"GBP," "pounds sterling" or "£" refer to the lawful currency of the United Kingdom.

"German Company Conversion" refers to the conversion of CinemaxX AG (CinemaxX Aktiengesellschaft) into a limited liability company incorporated under the laws of Germany (*Gesellschaft mit beschränkter Haftung*, "GmbH") being registered in the competent commercial register (*Handelsregister*). This was completed on April 25, 2014.

"German Restricted Cash" refers to the £34.1 million of cash in CinemaxX that was restricted as of August 8, 2013, the date of acquisition of VEIL, due to the timing of certain legal procedures relating to the Squeeze Out and the German Company Conversion.

"Guarantees" collectively refers to guarantees to be issued by the Guarantors on a senior secured basis guaranteeing the Notes.

"Guarantors" refers to CinemaxX Holdings GmbH, CinemaxX Cinema GmbH & Co. KG, CinemaxX Entertainment GmbH & Co. KG, CinemaxX Movietainment GmbH, Multikino S.A., Vue Entertainment International Limited, Vue Holdings (Jersey) Limited, Vue Holdings (UK) Limited, Vue Entertainment Investment Limited, Vue Entertainment Holdings Limited, Vue Entertainment Holdings (UK) Limited, Treganna Bidco Limited, Apollo Cinemas Limited, Shake UK Newco Limited, A3 Cinema Limited, Aurora Holdings Limited, Aurora Cinema (Ireland) Limited, Aurora Cinema Limited, Ster Century (UK) Limited, Vue Entertainment Limited, Vue Beteiligungs GmbH, SBC Portugal Limited, Vue Properties Limited, Vue Cinemas Limited and Vue Cinemas (UK) Limited, Vue Services Limited and The Space Bidco, each as a Guarantor of the Notes.

"Holdco" refers to Vougeot Holdco Limited, a private limited company incorporated under the laws of Jersey.

"IAS 34" refers to International Accounting Standards 34, "Interim Financial Reporting", as adopted by the European Union.

"IFRS" refers to International Financial Reporting Standards as adopted by the European Union.

"Indenture" refers to the indenture dated as of July 18, 2013 between, among others, the Issuer, the Guarantors, the Trustee and the Security Agent for the Notes, as supplemented and amended from time to time.

"Initial Purchaser" refers to Morgan Stanley & Co. International plc.

"Intercreditor Agreement" refers to the intercreditor agreement entered into on July 18, 2013 between, among others, us and certain of our other subsidiaries, the RCF Facility Agent on behalf of the lenders under the Revolving Credit Facility, the Trustee on behalf of the Noteholders and certain direct or indirect shareholders of the Issuer, as amended from time to time.

"Issue Date" refers to the date on which the Additional Notes offered hereby are issued.

"Issuer" refers to Bidco.

"Issuer Loan" refers to the shareholder loan of approximately £433 million that Midco extended to the Issuer pursuant to certain shareholder loan agreements entered into August 8, 2013. See "*Certain Relationships and Related Party Transactions — Issuer Loan.*"

"Midco" refers to Vougeot Midco Limited, a private limited company incorporated under the laws of England and Wales.

"Multikino" refers to Multikino S.A. and its subsidiaries.

"multiplex" refers to a cinema with five or more screens.

"Multikino Acquisition" refers to the acquisition of the entire share capital of Multikino S.A. by Eudialyte Company sp. z o.o., an entity indirectly owned by Vue Holdings (Jersey) Limited, on September 30, 2013.

"Multikino Acquisition Agreement" refers to the preliminary sale and purchase agreement dated as of May 10, 2013, among, Multikino Holding B.V., International Trading and Investments Holdings S.A. Luxembourg, AP Portico Slask S.A R.L., Apollo Real Estate Investment Fund III, L.P., Eudialyte Company sp. z o.o. and Vue Holdings (Jersey) Limited.

"New Issuer Loan" refers to the shareholder loan of £38.0 million that Midco will extend to the Issuer pursuant to certain shareholder loan agreements entered into on or around the Issue Date. See "*Certain Relationships and Related Party Transactions — Issuer Loan and New Issuer Loan*".

"Notes" refers to the Original Notes and the Additional Notes.

"Offering" refers to the offering of the Additional Notes pursuant to this offering memorandum.

"OMERS" refers to OMERS Administration Corporation, a non-share capital corporation continued pursuant to the *Ontario Municipal Employees Retirement System Act, 2006*, which is the administrator of the OMERS pension plans and trustee of the OMERS pension plans funds.

"OMERS Entities" refers, collectively, to OPE Vougeot Investment Limited and OPE Vougeot Holdings Limited.

"OPE" refers to OMERS Private Equity Inc., which is the entity responsible for identifying and managing the private equity investments of OMERS.

"OPE U.K." refers to OMERS Private Equity U.K. Limited.

"Original Fixed Rate Notes" refers to the £300,000,000 7.875% Senior Secured Notes due 2020 issued under the Indenture on July 18, 2013.

"Original Floating Rate Notes" refers to the €290,000,000 Senior Secured Floating Rate Notes due 2020 issued under the Indenture on July 18, 2013.

"Original Notes" refers to the Original Fixed Rate Notes and the Original Floating Rate Notes.

"Original Notes Offering" refers to the offering by the Issuer of the Original Notes.

"PLN," "złoty" or "zł" refer to the lawful currency of the Republic of Poland.

"Principal Shareholders" refers to, following the Vue Acquisition, the OMERS Entities, the AIMCo Entities, the Executive Managers (and their close relatives) and certain of Vue's senior management.

"RCF Facility Agent" refers to Lloyds Bank plc.

"Revolving Credit Facility" refers to the revolving credit facility made available pursuant to the Revolving Credit Facility Agreement.

"Revolving Credit Facility Agreement" refers to the super senior revolving facility agreement dated July 18, 2013 among the Issuer, CinemaxX Holdings GmbH, CinemaxX Cinema GmbH & Co. KG, CinemaxX Entertainment GmbH & Co. KG, CinemaxX Movietainment GmbH, and Multikino S.A., as borrowers, certain Guarantors and certain financial institutions, as described in "*Description of Certain Financing Arrangements — Revolving Credit Facility*."

"SEC" refers to the United States Securities and Exchange Commission.

"Security Agent" refers to Lloyds Bank plc, as security agent under the Intercreditor Agreement and the Security Documents;

"Security Documents" refers to the security and other documents and agreements that provide for Security Interests over the Collateral for the benefit of the holders of the Notes, as described in more detail under "*Description of the Notes — Collateral*."

"Security Interests" refers to the security interests in the Collateral.

"Squeeze Out" refers to the acquisition of the ordinary shares of CinemaxX AG from the minority shareholders. This was completed on February 12, 2014.

“Subscription and Shareholders’ Agreement” refers to the subscription and shareholders’ agreement entered into by, among others, the AIMCo Entities, the OMERS Entities, OMERS, the Executive Managers and certain of Vue’s senior management, which provides for, among other things, the governance of Holdco, dated August 8, 2013.

“The Space” refers to Capitolosette S.r.l. and its subsidiaries, which includes The Space Entertainment S.p.A.

“The Space Acquisition” refers to the acquisition by the Issuer of the entire corporate capital of Capitolosette, from Reti Televisive Italiane S.p.A. (“RTI”) and 21 Investimenti SGR S.p.A. (“21 Investimenti”), on behalf of Fondo 21 Investimenti II, and the shares in The Space Entertainment S.p.A. held by Mr. Corrado and Mr. Canepa, pursuant to The Space Acquisition Agreement.

“The Space Acquisition Agreement” refers to the sale and purchase agreement dated as of October 16, 2014 among, the Issuer, 21 Investimenti TI SGR S.p.A., on behalf of Fondo 21 Investimenti II, Reti Televisive Italiane S.p.A. and certain management sellers.

“The Space Bidco” refers to Vue Italy S.r.l., with registered number 08819480966 with the Companies’ Register of Milan incorporated under the laws of Italy on October 29, 2014 to facilitate The Space Acquisition, which is expected to be transformed into a *società per azioni* on or about the date of this offering memorandum.

“Transactions” refers, collectively, to The Space Acquisition, the Financing, the amendment of the Security Documents and the Intercreditor Agreements and the other transactions contemplated thereby, including the repayment of existing indebtedness and payment of fees and expenses.

“Trustee” refers to The Bank of New York Mellon, London Branch.

“U.K. GAAP” refers to the accounting practices, generally accepted in the United Kingdom.

“U.S. Exchange Act” refers to the United States Securities Exchange Act of 1934, as amended.

“U.S. Securities Act” refers to the United States Securities Act of 1933, as amended.

“United Kingdom” or “U.K.” refers to the United Kingdom of Great Britain and Northern Ireland.

“United States” or the “U.S.” refers to the United States of America.

“USD,” “U.S. dollar” or “\$” refer to the lawful currency of the United States.

“VEIL” refers to Vue Entertainment International Limited and its subsidiaries.

“Vougeot Entities” refers, collectively, to Holdco, Finco, Midco and Bidco, which are limited liability companies incorporated in Jersey and England, as the case may be.

“Vue,” the “Company,” the “Group,” “we,” “us” and “our” refer to the Issuer, its subsidiaries and other entities after taking into account the Transactions, unless the context otherwise requires or such other meaning is clear from context.

“Vue Acquisition” refers to the acquisition of the entire share capital of VEIL, indirectly by the AIMCo Entities, by the OMERS Entities and certain co-investors on August 8, 2013.

“Vue Acquisition Agreement” refers to the sale and purchase agreement dated as of June 9, 2013 between, Bidco and Holdco as purchasers, DH P Alpha S.à r.l, the Executive Managers and certain other senior management, as sellers, and VEIL for the acquisition of the entire issued share capital of VEIL by Bidco and Holdco.

“Warner Village Intercreditor Agreement” refers to the intercreditor agreement entered on July 18, 2013 by and among, *inter alios*, Time Warner Entertainment Limited, VC Eye Pty Limited (formerly known as “Village Cinemas International Pty Limited”), the Issuer, and acceded to by certain of the Guarantors.



## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Financial Information

The Issuer was formed as a private limited company under the laws of England and Wales on May 2, 2013 and was reregistered as a public limited company organized under the laws of England and Wales on July 1, 2013, with a company number 8514872. The Issuer was formed in relation to the 2013 Transactions and is wholly owned indirectly by Holdco which is wholly owned by the AIMCo Entities, the OMERS Entities, the Executive Managers (and their close relatives) and certain of Vue's senior management. The Issuer's only material assets and liabilities are its interest in all of the issued and outstanding shares of VEIL and its outstanding indebtedness incurred in connection therewith.

The consolidated financial information in this offering memorandum, unless otherwise stated, has been derived or extracted from:

- the unaudited interim condensed consolidated financial statements of the Issuer as of and for the 39 week period ended August 28, 2014, prepared in accordance with best practice as derived from IAS 34;
- the unaudited interim condensed consolidated financial statements of VEIL as of and for the 39 week period ended August 28, 2014, prepared in accordance with best practice as derived from IAS 34;
- the audited consolidated financial statements of the Issuer as of and for the period from May 2, 2013 (date of incorporation) to November 28, 2013, prepared in accordance with U.K. GAAP, which only reflect the trading results of VEIL for the 16 week period from August 8, 2013 to November 28, 2013, as the Issuer acquired VEIL on August 8, 2013;
- the audited consolidated financial statements of VEIL as of and for the 52 week period ended November 28, 2013, prepared in accordance with U.K. GAAP;
- the audited consolidated financial statements of VEIL as of and for the 53 week period ended November 29, 2012, prepared in accordance with U.K. GAAP; and
- the audited consolidated financial statements of VEIL as of November 24, 2011 and for the 56 week period from its incorporation on October 26, 2010 to November 24, 2011, which reflects the trading results for the 49 week period from December 21, 2010 (the date upon which it indirectly acquired 100% of the ordinary shares of Vue Entertainment Investment Limited) to November 24, 2011, prepared in accordance with U.K. GAAP.

(together, the "Consolidated Financial Statements")

Such Consolidated Financial Statements are included in this offering memorandum.

The audited consolidated financial statements referred to above have been extracted from our signed statutory annual report and financial statements for 2011, 2012 and 2013, respectively, although page references have been modified solely for the convenience of the reader. Furthermore, such financial statements contain cross-references to other parts of such statutory annual reports and financial statements; however, such cross-referenced material is not part of, and is not incorporated by reference into this offering memorandum and should be disregarded for the purpose of this offering memorandum.

The consolidated financial information of the Issuer presented for the 52 week period ended August 28, 2014 is derived by adding the unaudited interim condensed consolidated profit and loss account of the Issuer for the 39 week period ended August 28, 2014 and the consolidated profit and loss account of the Issuer for the 52 week period ended November 28, 2013, and subtracting the unaudited interim condensed consolidated profit and loss account of the Issuer for the 39 week period ended August 29, 2013. The financial information for the 52 week period ended August 28, 2014 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date.

The Consolidated Financial Statements in this offering memorandum are presented in pounds sterling.

### Certain Factors Affecting the Comparability of our Consolidated Financial Statements

The principal factor affecting comparability of our results of operations and our cash flows relates to the number of weeks of trading activity and cash flows generated by the businesses we have acquired, which, in accordance with U.K. GAAP, are only consolidated from the date of acquisition. The following table presents

for each of the financial periods presented in this offering memorandum the number of weeks of trading activities and cash flows relating to the various acquisitions we have made:

	Date of acquisition / consolidation in financial statements	52 week period ended August 28, 2014	39 week period ended August 28, 2014	39 week period ended August 29 2013	52 week period ended November 28, 2013	53 week period ended November 29, 2012	49 week period ended November 24 2011
Multikino <sup>(a)</sup>	September 30, 2013	47 weeks	39 weeks	—	8 weeks	—	—
Issuer <sup>(b)</sup>	August 8, 2013	52 weeks	39 weeks	3 weeks	—	—	—
CinemaxX <sup>(a)</sup>	August 7, 2012	52 weeks	39 weeks	39 weeks	52 weeks	16 weeks	—
Apollo <sup>(a)</sup>	May 10, 2012	52 weeks	39 weeks	39 weeks	52 weeks	29 weeks	—
Vue Entertainment Investment Limited <sup>(c)</sup>	December 21, 2010	52 weeks	39 weeks	39 weeks	52 weeks	53 weeks	49 weeks

(a) VEIL acquired Apollo on May 10, 2012, CinemaxX on August 7, 2012 and Multikino on September 30, 2013.

(b) The Issuer was incorporated on May 2, 2013 and acquired VEIL, which constituted the trading group, on August 8, 2013.

(c) VEIL was incorporated on October 26, 2010 and acquired Vue Entertainment Investment Limited and its subsidiaries on December 21, 2010.

This also impacts the comparability of our segmental results, as presented in greater detail in *“Management’s Discussion and Analysis of Financial Condition and Results of Operations”*, as the results of operations of Multikino and CinemaxX are included in our Continental Europe segment, and the results of operations of Apollo are included in our U.K. segment, since the respective dates of acquisition of each business.

Certain other factors affect the comparability of our Consolidated Financial Statements in this offering memorandum, including:

- the annual financial statements of the Issuer and VEIL are generally prepared for either a 52 or a 53 week period ending on a Thursday within one week of November 30, resulting in financial years which have either 52 or 53 weeks; and
- we have reclassified certain amounts in the consolidated financial statements of VEIL for the 53 week period ended 29 November 2012, as presented as comparatives in the 2013 consolidated financial statements, in order to conform with our current presentation. The reclassifications (i) amend the allocation of certain results of operations of CinemaxX between revenue, cost of sales and administrative expenses as compared to their allocation in the 2012 consolidated financial statements, and has no impact on the total ‘Loss for the Period’ or EBITDA; and (ii) amend the allocation of certain amounts due to creditors between loans and other creditors.

## Acquisition of The Space

On October 16, 2014, the Issuer entered into The Space Acquisition Agreement to acquire, directly and indirectly, the entire corporate capital of Capitolosette from RTI and 21 Investimenti, on behalf of Fondo 21 Investimenti II, and to acquire the shares in The Space Entertainment S.p.A. held by Mr. Corrado and Mr. Canepa (together with RTI and 21 Investimenti, “the Sellers”).

Upon completion of The Space Acquisition, Capitolosette will become a subsidiary of The Space Bidco, which itself is an indirect wholly-owned subsidiary of the Issuer. We intend to account for The Space Acquisition using the acquisition method of accounting, which requires that we recognize the identifiable assets acquired and liabilities and contingencies assumed at their fair value as of the completion of the applicable acquisition. If we complete The Space Acquisition, The Space’s results of operations will be consolidated with ours in the future. As a result, our financial results in the future would not be directly comparable to those in this offering memorandum. See *“Management’s discussion and analysis of financial condition and results of operations — Factors affecting our results of operations — Factors specific to our business — The Space Acquisition”*.

We have not included any financial statements for The Space in this offering memorandum.

## Summary of Certain Differences Between U.K. GAAP and IFRS

Outlined below is a summary of certain differences between U.K. GAAP and IFRS. We cannot offer any assurance that the differences described below would, in fact, be the accounting principles creating the greatest differences between the financial statements of the Issuer and VEIL, or the financial information for

the 12 months ended June 30, 2014 of The Space, prepared under IFRS and under U.K. GAAP. In addition, we cannot estimate the net effect that (i) applying IFRS would have on the Issuer's or VEIL's results of operations or financial condition, or any component thereof, in any of the presentations of financial information in this offering memorandum or (ii) applying U.K. GAAP would have on the financial information for the 12 months ended June 30, 2014 of The Space presented in the section "Summary Historical Financial Information and Operating Data" in this offering memorandum. Nevertheless, the effect of such differences may be material. In making an investment decision, investors must rely upon their own examination of the Company, the terms of the offering and the financial information. Potential investors should consult their own professional advisers for an understanding of the differences between IFRS and U.K. GAAP, and how those differences might affect the financial information contained herein.

#### *Financial Statement Presentation*

Under IFRS, the presentation of the balance sheet is based on either a current/non-current split of assets and liabilities or based on liquidity where such a presentation provides information that is reliable and more relevant. Under U.K. GAAP, the balance sheet cannot be presented on a liquidity basis only.

Under U.K. GAAP, the cash flow statement is based on changes in cash, which represents cash in hand and deposits repayable on demand less overdrafts repayable on demand. Under IFRS, the cash flow statement is based on changes in cash, which represents cash in hand and deposits repayable on demand and cash equivalents, which are short-term highly liquid investments, less overdrafts repayable on demand, which form an integral part of an enterprise's cash management.

There are several presentational differences between IFRS and U.K. GAAP in respect of the balance sheet, including: (1) software development and purchased software costs are recognised within tangible assets under U.K. GAAP but are reclassified as an intangible asset under IFRS, and (2) cash placed on short-term deposit with original maturities of greater than three months are classified as cash at bank and in hand under U.K. GAAP but are reclassified as a financial asset under IFRS. The disclosures in the explanatory notes to the financial statements are also more extensive under IFRS than U.K. GAAP.

#### *Business Combinations*

U.K. GAAP requires that intangible assets be separately recognized in a business combination only if they can be disposed of separately without disposing of the business of the entity and if their value can be measured reliably on initial measurement.

IFRS requires that all the intangible assets at the acquisition date be recognized separately in the consolidated financial statements if they meet the definition of an intangible asset and if their fair value can be measured reliably. In contrast to U.K. GAAP, an intangible asset is required to be recognized if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. Under IFRS, there is a rebuttable presumption that the fair value of the intangible asset can be measured reliably if it has a finite useful life.

U.K. GAAP requires that goodwill is amortized over its estimated useful life and tested for impairment annually and if events or changes in circumstances indicate that its carrying value may not be recoverable. IFRS prohibits the amortization of goodwill. Instead, the acquirer must perform a goodwill impairment test annually and if events or changes in circumstances indicate that its carrying value may not be recoverable, in accordance with IAS 36. Under IFRS, all acquisition related costs, except costs to issue debt or equity, are recognized immediately in the income statement. Under U.K. GAAP, these costs can be capitalized as part of goodwill.

#### *Operating Segments*

Under UK GAAP segment information is presented on a "risks and rewards" basis. Under IFRS information must be disclosed to enable users of its financial statements to evaluate the nature and financial effects of the business activities and environments in which it operates. Segment information is required to be presented on the same basis as for internal reporting.

#### *Deferred Taxes*

IFRS takes a balance sheet approach to deferred tax whereby deferred tax is recognized in the balance sheet by applying the appropriate tax rate to the temporary differences arising between the carrying value of assets and liabilities and their tax base. Under U.K. GAAP, deferred tax is provided in respect of timing

differences arising in the profit and loss account. U.K. GAAP permits, but does not require, the discounting of deferred tax liabilities. IFRS prohibits discounting.

#### *Loans and Borrowings*

Under U.K. GAAP, loans and borrowings such as bank debt are recognized at the nominal value of the debt assumed. Under IFRS, the debt is recognised initially at fair value, net of transaction costs incurred. It is then subsequently stated at amortized cost using the effective interest rate method. The effective interest method is used to calculate the amortized cost of the debt and to allocate the associated interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the cash flows associated with the debt to its net carrying amount at initial recognition.

#### *Financial Instruments*

Under U.K. GAAP, certain financial instruments, such as derivative financial instruments, are not recorded in financial statements where the underlying transaction to which they are associated is recorded. IFRS requires many financial instruments, such as derivative financial instruments, to be carried on the balance sheet at fair value.

#### *Leases*

Under U.K. GAAP, lease incentives are amortized on a straight-line basis over the shorter of the lease term or the period to the next rent review date. Under IFRS, lease incentives are recognized as a reduction of rental expense over the term of the lease.

Under U.K. GAAP contractual increases acting as a proxy for inflation are generally accounted for in the period in which they arise. IFRS requires non-contingent contractual rent payments to be spread on a straight line basis over the term of the lease, resulting in an additional liability and increased rent expense being recognised in early years which unwinds over time.

U.K. GAAP considers land and buildings together when determining classification as an operating or finance lease. Under IFRS the land and building elements of a property lease are considered separately to classify based on fair values.

Under U.K. GAAP a lessee recognises the aggregate benefits of incentives received from a landlord as a reduction of rental expense over the shorter of the lease term and a period ending on a date from which it is expected that the prevailing market rental will be payable (i.e., a market rent review). Under IFRS, the aggregate benefit is recognised over the lease term (market rent reviews are ignored) on a straight line basis unless another systematic basis is representative of the true pattern of the benefit of the leased asset.

### **Pro Forma Financial Information**

This offering memorandum also includes certain unaudited *pro forma* consolidated financial information, including *pro forma* Adjusted EBITDA, *pro forma* third-party borrowings, *pro forma* cash at bank and in hand, *pro forma* net third-party borrowings, *pro forma* cash interest expenses (as defined in this offering memorandum) and leverage and coverage ratios, which give *pro forma* effect to the Transactions and the acquisition of Multikino, as if it had taken place on September 1, 2013. Such *pro forma* measures are not financial measures defined in accordance with U.K. GAAP or IFRS and, as such, may not be comparable to similarly titled measures used by other companies. For a further description of the *pro forma* financial information as of and for the 52 weeks ended August 28, 2014 presented below, see "*Presentation of Financial and Other Information — Pro Forma Financial Information.*"

Pro forma Adjusted EBITDA for the 52 weeks ended August 28, 2014 is derived as (i) the Adjusted EBITDA for the Issuer for the 52 weeks ended August 28, 2014, plus (ii) the pre-acquisition Adjusted EBITDA of Multikino for the period September 1, 2013 to September 30, 2013 which is derived from its underlying books and records provided to us in the course of the acquisition process, which were maintained in accordance with IFRS, plus (iii) the Estimated Adjusted EBITDA of The Space for the 12 months ended June 30, 2014 which is derived from the underlying books and records of The Space which are maintained in accordance with IFRS. See "*— Summary of Certain Differences Between U.K. GAAP and IFRS.*"

The calculation of Estimated Adjusted EBITDA of The Space is based in part on the judgement of management of The Space with respect to certain costs and expenses, which are considered non-recurring, and the unaudited management information and books and records of The Space. These numbers have not

been audited or reviewed by our independent auditors or the independent auditors of The Space. The Estimated Adjusted EBITDA of The Space is included in this offering memorandum as we believe it provides a useful measure of our results of operations after giving effect to the results of The Space; however, this information does not constitute a measure of financial performance under U.K. GAAP or IFRS and should not be considered a substitute for operating profit, net profit, cash flow or other financial measures computed in accordance with U.K. GAAP or IFRS, or as a measure of our future results of operations or liquidity. Our definition of Adjusted EBITDA may differ from the definition of Estimated Adjusted EBITDA used by The Space, and therefore these measures may not be comparable. As all companies do not calculate these financial measures in the same manner, the presentation of each financial measure may not be comparable to other similarly titled measures of other companies. Results indicated by certain of these measures may not be realized, and funds depicted by certain of these measures may not be available for management's discretionary use if such results are not realized. It should also be noted that U.K. GAAP differs in certain respects from IFRS. With respect to the adjustment for the Estimated Adjusted EBITDA of The Space it does not give effect to the differences between U.K. GAAP and IFRS. These differences could be material to Estimated Adjusted EBITDA of The Space, and as a consequence, to Pro Forma Adjusted EBITDA. A summary of certain differences between U.K. GAAP and IFRS that our management believes could have a significant impact on these measures is included above in "*Summary of Certain Differences Between U.K. GAAP and IFRS*".

The unaudited *pro forma* consolidated financial information has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Directive or any generally accepted accounting standards. The unaudited *pro forma* adjustments are based upon available information and certain assumptions that we believe to be reasonable. Neither the assumptions underlying the *pro forma* adjustments nor the resulting unaudited *pro forma* combined financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

The unaudited *pro forma* consolidated financial information is for informational purposes only and should not be considered indicative of actual results that would have been achieved had the Transactions and the acquisition of Multikino been completed on the dates indicated and do not purport to indicate our future consolidated results of operations or financial position. The actual results may differ significantly from those reflected in the unaudited *pro forma* combined financial information for a number of reasons, including, but not limited to, differences in assumptions used to prepare the unaudited *pro forma* combined financial information.

The unaudited *pro forma* financial information should be read in conjunction with the information contained in "*Selected Historical Consolidated Financial Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and the Consolidated Financial Statements.

## **Other Financial Measures**

We have presented certain information in this offering memorandum that are non-U.K. GAAP and non-IFRS measures. As used in this offering memorandum, this information includes "EBITDA," "Adjusted EBITDA," "Adjusted EBITDA Margin," "*pro forma* Adjusted EBITDA," "EBITDAR" and "Adjusted EBITDAR."

Our management believes that EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, *pro forma* Adjusted EBITDA, EBITDAR and Adjusted EBITDAR are meaningful for investors because they provide an analysis of our operating results, profitability and ability to service debt and because EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, *pro forma* Adjusted EBITDA, EBITDAR and Adjusted EBITDAR are used by our chief decision makers to assess our operating results, establish operational and strategic targets and make business decisions. In addition, we believe that EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, *pro forma* Adjusted EBITDA, EBITDAR and Adjusted EBITDAR are measures commonly used by investors and other interested parties in our industry. Although we are presenting these measures to enhance the understanding of our historical operating performance, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, *pro forma* Adjusted EBITDA, EBITDAR and Adjusted EBITDAR or any other non-U.K. GAAP or non-IFRS financial measures should not be considered alternatives to operating profit as an indicator of our operating performance, or alternatives to cash flows from operating activities as measures of our liquidity. EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, *pro forma* Adjusted EBITDA, EBITDAR and Adjusted EBITDAR 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 debts;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and EBITDA, Adjusted EBITDA, EBITDAR and Adjusted EBITDAR do not reflect any cash requirements that would be required for such replacements;
- some of the exceptional items that we eliminate in calculating EBITDA, Adjusted EBITDA, EBITDAR and Adjusted EBITDAR reflect cash payments that were made, or will in the future be made; and
- the fact that other companies in our industry may calculate EBITDA, Adjusted EBITDA, EBITDAR and Adjusted EBITDAR differently than we do, which limits their usefulness as comparative measures.

EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, *pro forma* Adjusted EBITDA, EBITDAR and Adjusted EBITDAR are unaudited and are not measures of financial performance under U.K. GAAP or IFRS. Our computation of EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, *pro forma* Adjusted EBITDA, EBITDAR and Adjusted EBITDAR and other non-U.K. GAAP financial measures may not be comparable to similarly titled measures of other companies. In evaluating Adjusted EBITDA, EBITDAR and Adjusted EBITDAR, we encourage you to evaluate each and the reasons we consider it appropriate as a method of supplemental analysis. You should be aware that as an analytical tool, Adjusted EBITDA, EBITDAR and Adjusted EBITDAR are subject to all of the limitations applicable to EBITDA. EBITDA, Adjusted EBITDA, EBITDAR and Adjusted EBITDAR are not audited. EBITDA, Adjusted EBITDA, EBITDAR and Adjusted EBITDAR should be viewed as measures of operating performance that are a supplement to, and not a substitute for U.K. GAAP or IFRS measures of income or cash flows, and may not be directly comparable to similarly titled measures of our competitors.

Adjusted EBITDA as used in this offering memorandum is not calculated in the same manner as Consolidated EBITDA is calculated pursuant to the Indenture governing the Notes as described under “Description of the Notes” or for purposes of any of our other indebtedness.

## **Non-Financial Operating Data**

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

Tables that present historical operating data do not include corresponding operating data from The Space.

## **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 row of a table contained in this offering memorandum may not conform exactly to the total figure given for that column or row.

## **Currency**

Unless otherwise indicated, financial information relating to Vue is presented in pounds sterling.

All references in this offering memorandum to: (i) “£,” “pounds sterling” or “GBP” are to the lawful currency of the United Kingdom, (ii) “€,” “euro” or “EUR” are to the currency introduced at the start of the third stage of the EMU, pursuant to the Treaty establishing the European Economic Community, as amended by the Treaty on the EU; (iii) “\$,” “U.S. dollars” or “USD” are to the lawful currency of the United States of America, and (iv) “zł,” “złoty” or “PLN” refer to the lawful currency of the Republic of Poland.

## **TRADEMARKS AND TRADE NAMES**

We own or have rights to certain trademarks, trade names or service marks that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company

appearing in this offering memorandum belongs to its holder. Some of the trademarks we own or have the right to use include Vue, Vue Xtreme, CinemaxX and Multikino. Solely for convenience, the trademarks, trade names and copyrights referred to in this offering memorandum are listed without the ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to these trademarks, trade names and service marks.

## **MARKET AND INDUSTRY DATA**

Information included in this offering memorandum relating to markets and other industry data pertaining to our business consists of information from data reports compiled by professional third-party organizations and analysts, data from external sources, our knowledge of the industries in which we operate and our own calculations based on such information. In some cases, there is no readily available external information to validate industry-related analyses and estimates, thus requiring us to rely on internally developed estimates. While we have compiled, extracted and reproduced industry data from external sources, including third party, industry or general publications, such as Dodona Research, IBOE/Rentrak, The Cinema Exhibitor's Association, Media Salles, the British Film Institute and the German Federal Film Board and other public information, we have not independently verified the data. We cannot assure you of the accuracy and completeness of, or take any responsibility for, and we have not independently verified such data. Notwithstanding this, we confirm that this market and industry data has been accurately reproduced and that as far as we are aware and are able to ascertain from information published by the external sources referred to above, no facts have been omitted which would render the reproduced information inaccurate or misleading. We accept responsibility for the accurate reproduction of information from the sources listed in this paragraph.

Similarly, while we believe our internal estimates to be reasonable, they have not been verified by any independent sources, and we cannot assure you as to their accuracy. In certain instances, we have provided certain third-party data, such as market share for the United Kingdom, Germany, Italy and Poland, that may not be comparable across the different markets in which we operate, as convention dictates varying metrics for measurement across these markets.

## EXCHANGE RATE INFORMATION

The following tables set forth, for the periods indicated, the period end, period average, high and low Bloomberg Composite Rates expressed in U.S. dollars per £1.00, euros per £1.00 and zloty per £1.00. The Bloomberg Composite Rate is a “best market” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates below may differ from the actual rates used in the preparation of our Consolidated Financial Statements and other financial information appearing in this offering memorandum. 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.

The Bloomberg Composite Rate of pounds sterling on November 3, 2014 was \$1.5997, €1.2794 and PLN 5.4081 per £1.00.

	<u>Period End</u>	<u>Average</u>	<u>High</u>	<u>Low</u>
	U.S. dollars per £1.00			
<b>Year</b>				
2009 . . . . .	1.615	1.567	1.702	1.370
2010 . . . . .	1.559	1.546	1.638	1.432
2011 . . . . .	1.551	1.604	1.669	1.539
2012 . . . . .	1.616	1.585	1.628	1.530
2013 . . . . .	1.656	1.565	1.656	1.487
2014 (through October 31) . . . . .	1.600	1.663	1.717	1.590
<b>Month</b>				
May 2014 . . . . .	1.675	1.684	1.698	1.671
June 2014 . . . . .	1.711	1.692	1.711	1.674
July 2014 . . . . .	1.689	1.708	1.689	1.689
August 2014 . . . . .	1.660	1.670	1.689	1.654
September 2014 . . . . .	1.621	1.629	1.647	1.611
October 2014 . . . . .	1.600	1.608	1.619	1.590
November 2014 (through November 3) . . . . .	1.599	1.599	1.600	1.599

	<u>Period End</u>	<u>Average</u>	<u>High</u>	<u>Low</u>
	euros per £1.00			
<b>Year</b>				
2009 . . . . .	1.127	1.123	1.185	1.041
2010 . . . . .	1.167	1.166	1.236	1.096
2011 . . . . .	1.201	1.153	1.204	1.107
2012 . . . . .	1.226	1.233	1.286	1.179
2013 . . . . .	1.205	1.178	1.234	1.143
2014 (through October 31) . . . . .	1.277	1.236	1.284	1.191
<b>Month</b>				
May 2014 . . . . .	1.229	1.226	1.236	1.216
June 2014 . . . . .	1.249	1.244	1.253	1.229
July 2014 . . . . .	1.261	1.261	1.267	1.254
August 2014 . . . . .	1.264	1.254	1.264	1.246
September 2014 . . . . .	1.284	1.265	1.284	1.245
October 2014 . . . . .	1.277	1.268	1.282	1.258
November 2014 (through November 3) . . . . .	1.279	1.278	1.297	1.277

	<u>Period End</u>	<u>Average</u>	<u>High</u>	<u>Low</u>
		<u>PLN per £1.00</u>		
<b>Year</b>				
2009 . . . . .	4.627	4.857	5.553	4.336
2010 . . . . .	4.614	4.658	5.119	4.257
2011 . . . . .	5.342	4.751	5.424	4.365
2012 . . . . .	4.981	5.157	5.501	4.876
2013 . . . . .	5.003	4.941	5.112	4.733
2014 (through October 31) . . . . .	5.398	5.163	5.398	4.978
<b>Month</b>				
May 2014 . . . . .	5.095	5.124	5.159	5.087
June 2014 . . . . .	5.196	5.145	5.216	5.045
July 2014 . . . . .	5.269	5.228	5.269	5.188
August 2014 . . . . .	5.320	5.260	5.320	5.216
September 2014 . . . . .	5.365	5.297	5.365	5.221
October 2014 . . . . .	5.398	5.332	5.398	5.266
November 2014 (through November 3) . . . . .	5.408	5.403	5.408	5.398

The rates in each of the foregoing tables may differ from the actual rates used in the preparation of the Consolidated Financial Statements and other financial information appearing in this offering memorandum. We have provided these exchange rates solely for the convenience of potential investors. The rates should not be construed as a representation that pounds sterling amounts could have been, or could be, converted into U.S. dollars, euros or złoty at the rates set forth herein or at any other rate.

## SUMMARY

*This summary highlights select information from this offering memorandum. It is not complete and does not contain all of the information that you should consider before investing in the Additional Notes. You should read this offering memorandum carefully in its entirety, including the sections entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business," as well as our audited Consolidated Financial Statements and unaudited interim financial statements and the notes thereto included elsewhere in this offering memorandum and any other documents referred to herein.*

### Overview

We believe we are Europe's third largest cinema operator by number of screens with operations predominantly in the United Kingdom, Germany and Poland. We have grown our portfolio through a combination of new cinema developments and acquisitions of cinemas in the United Kingdom and internationally. We currently operate 150 cinemas with 1,359 screens located across eight countries, and upon completion of The Space Acquisition, we will operate 186 cinemas with 1,721 screens located across nine countries. We believe our cinema portfolio in the United Kingdom represents the newest, most modern chain of cinemas in the country. In the United Kingdom, 98.8% of our cinemas are multiplexes, 95.9% have stadium seating that provides unobstructed views of the screen and all are fully digital. In the United Kingdom, all of our cinemas use Sony Digital Cinema 4K digital projection technology, which provides four times the resolution of 2K digital projectors. We have a broad reach in the United Kingdom and we estimate that over 65% of the population lives within a 30-minute drive of a Vue cinema. According to IBOE/Rentrak, our GBOR market share in the United Kingdom was approximately 23.4% for the 52 weeks ended November 28, 2013 and 22.8% for the 39 weeks ended August 28, 2014. We operate five of the top 20 grossing box office cinemas in the United Kingdom, with a strong presence in the key London and West End markets, including our Westfield London site which was the highest grossing box office cinema in the United Kingdom for the 52 weeks ended November 28, 2013 and the 39 weeks ended August 28, 2014.

We have leveraged our strong operational knowledge and experience with successful integrations of acquisitions to enter new European markets through selective strategic acquisitions of leading cinema operators. These European markets are generally more fragmented and less developed than the United Kingdom and we believe they offer opportunities for consolidation and growth. In August 2012, we established our presence in Germany and Denmark through the acquisition of CinemaxX, Germany's second largest cinema operator by number of screens (excluding Cineplex Group, a co-operative of independent operators) currently and at the time of the acquisition of CinemaxX. Our cinemas in Germany are typically situated in premium city center locations within the 20 largest German cities where population densities are highest. We believe that all of our German cinemas offer state-of-the-art facilities; for example, all of our cinemas in Germany have 4K digital projection technology. We also recently expanded into Poland, Latvia and Lithuania through the acquisition of Poland's second largest cinema operator by number of screens, Multikino, in September 2013. Approximately 94% of Multikino's cinemas are multiplexes and all are fully digital. In addition, we operate a 14-screen cinema in Dublin, Ireland and a 16-screen cinema in Taipei, Taiwan, each of which is a multiplex cinema and has stadium seating. We also recently signed a sale and purchase agreement for The Space, Italy's largest cinema operator by admissions and GBOR, operating 36 multiplex cinemas with 362 fully digital screens. We expect The Space Acquisition to close on or about the Issue Date.

On a pro forma basis, assuming The Space Acquisition had occurred on August 30, 2013, our Adjusted EBITDA for the 52 weeks ended August 28, 2014 would have been £99.6 million. See "Presentation of Financial and Other Information — Other Financial Measures."

### Our Competitive Strengths

#### ***A Leading Market Position in Highly Attractive European Markets***

We believe we are Europe's third largest cinema operator by number of screens, operating in eight countries and, after completion of The Space Acquisition, nine countries, with a market leading presence in both Western and Eastern Europe. We believe our diverse geographic presence positions us to take advantage of the stability of markets in Western Europe while also offering the ability to capitalize on growing markets in Eastern Europe. The majority of our existing cinemas are located in the United Kingdom, Germany and Poland, which are the largest, third largest and twelfth largest cinema markets in Europe by GBOR, respectively, as of 2013. Italy is the fourth largest cinema market in Europe by GBOR. We are one of the top three cinema operators in the United Kingdom by GBOR and the second largest cinema operator by



number of screens in Germany. In Poland, Multikino is the second largest cinema operator as measured by number of screens. According to Dodona Research, in the United Kingdom, total market GBOR grew from approximately £944 million in 2009 to approximately £1,083 million in 2013. According to IBOE/Rentrak, GBOR declined to £694.1 million in the thirty-four weeks ended August 28, 2014 (a decrease of 4.2% compared to the corresponding period in 2013). In Germany, according to Dodona Research, total market GBOR grew from approximately €976 million in 2009 to approximately €1,023 million in 2013. According to IBOE/Rentrak, GBOR declined slightly to €589.7 million in the eight months ended August 31, 2014 (a decrease of 3.2% compared to the corresponding period in 2013). According to Dodona Research, in Poland, total GBOR decreased from approximately PLN 681 million in 2009 to approximately PLN 665 million in 2013. According to Boxoffice.pl, GBOR recovered to PLN 458.0 million in the thirty-five weeks ending September 4, 2014 (an increase of 4.2% compared to the corresponding period in 2013). Despite recent declines in total market GBOR in the United Kingdom, Germany and Poland, we believe these markets should continue to grow and provide opportunities for increasing our revenue. In Italy, The Space is the second largest cinema operator, in terms of GBOR, and total market GBOR in Italy decreased from €664.1 million in 2009 to €646.3 million in 2013, according to Dodona Research.

Our operations in multiple attractive European markets provide us with certain economies of scale and the benefits of operating leverage across markets. We believe our multi-territory presence across these markets mitigates film revenue fluctuations and improves our negotiating position with our key commercial counterparties, including film distributors, concessions suppliers, landlords, technology providers and advertisers who we believe consider us a valuable and important partner. We believe that our established relationships have enabled us to secure commercially attractive contract terms with leading international suppliers. For example, in 2013, we extended our relationship with Sony Digital Cinema outside of the United Kingdom to Germany and Denmark, where they have provided their 4K digital technology to our CinemaxX cinemas. In addition, we have recently completed an international tender to leverage our European size to get the best possible lamp pricing, and we are currently in the middle of an international tender for 3D glasses across all territories. We are now Sony Digital Cinema's largest customer outside of the United States. We believe the available choices, flexibility and caliber of our commercial partners enhance our consumer offering, brand image and positioning.

### ***Conveniently Located, High Quality Venues and Modern, State-of-the-Art Cinema Facilities***

We believe our cinemas are well-located to maximize potential admissions. For example, we estimate that over 65% of the population in the United Kingdom lives within a 30-minute drive of a Vue cinema. We also have cinemas in the United Kingdom that are situated in flagship commercial locations with high foot fall, such as Westfield London, Westfield Stratford City and Leicester Square. In Germany, our cinemas are typically situated in premium city center locations within the 20 largest German cities where population densities are highest. In Poland, Multikino has four sites in densely populated Warsaw, with a total of 16 sites in the 10 most populous cities in Poland, based on Poland Central Statistical Office population data as of December 31, 2013. The Space has cinemas in the Northern, Central and Southern regions of Italy. Approximately three-quarters of its box office revenues were generated in Northern and Central Italy in 2013. The Space has cinemas in many of Italy's major cities and conurbations, including Rome, Milan, Naples, Florence, Bologna, Parma, Bari and just outside of Venice.

We believe that we operate one of the most modern and technologically advanced cinema portfolios in Europe. In the United Kingdom, 98.8% of our cinemas are multiplexes, which allows for greater film flexibility in terms of time, format and selection and provides certain cost efficiencies as employee staffing per screen in multiplexes is typically lower as compared with non-multiplex cinemas. In the United Kingdom, 95.9% of our screens have stadium seating that provides unobstructed views of the screen, and all of our cinemas are fully digital, providing consistent presentation quality to customers and greater flexibility in terms of content for cinema operators. Across the Group, 97.3% of our cinemas are multiplexes and 97.6% of our screens have stadium seating. In addition, we believe that the average age of our cinemas in the United Kingdom is lower than that of our primary competitors. In the United Kingdom, a fiber roll-out is currently underway that will connect all sites with high capacity links to improve resilience and speed, in order to support the processing of customer transactions and exchange of corporate data. There are no current plans to deliver films via this network. In Germany, we have continued to invest in refurbishment in recent years and, in July 2013, completed the process of upgrading all of our German cinemas to 4K digital projection technology. In the United Kingdom, we also have developed a proprietary premium large format screen, Vue Xtreme, which allows us to show large-screen content without paying royalties and licensing fees for alternative branded large-screen technology. We are in the process of replacing our current 3D equipment supplier RealD with

Sony 3D and Masterimage in the United Kingdom and Germany. This will allow us to own our 3D equipment rather than leasing it from a third party which will be more cost effective for the Group. The Space cinemas are fully digitalized, and as of June 30, 2014, 94% of its cinemas are multiplexes, 99% of its cinemas have stadium seating and 40% of its screens are 3D-enabled.

### ***Proven Operational Excellence***

We apply a rigorous and analytical approach to our cinema operations where we focus on revenue enhancement and cost optimization. For example, we constantly review our ticket pricing structure and believe we have been able to increase our box office revenue in our cinemas in the United Kingdom through changes to our pricing strategy, such as the introduction of “peak” and “off-peak” pricing and the introduction of our “Super Tuesday” offer. Our pricing strategy also entails increasing pricing flexibility by cinema location based on variables including time of day, day of the week and type of customer for each film, resulting in ticket price increases in certain circumstances and in increased use of discounts in others. We aim to maximize revenue by offering premium propositions, such as VIP seating, for customer segments that value these elements while selectively using discounts, such as “Kids AM” to drive admissions volume. These strategies have positively impacted our average ticket price. We also analyze film scheduling in order to deliver the “right” film, on the “right” screen at the “right” time in order to achieve optimal attendance. We systematically test our film scheduling changes, which have driven increases in our admissions and box office revenue while decreasing variable staff costs as compared to a control group of our cinemas.

We have also improved our cost structure by applying certain management principles and practices across our business and our newly acquired companies when integrating them into the Group. For example, we have applied a disciplined approach to our cost components by employing competitive tendering processes for both capital expenditures and for supply costs. We also seek to manage our staff costs in order to match, to the extent possible, staffing levels with admissions levels. We also renegotiate our lease costs where possible and have achieved cost savings at certain sites in the United Kingdom, Germany and Poland. We have also invested in energy savings initiatives to reduce electricity and other utility costs across our cinemas in all territories as well as optimizing costs by leveraging our pan-European platform to establish strong relationships with key suppliers such as Sony Digital Cinema.

For the 52 weeks ended November 28, 2013, our capital expenditures were £22.3 million (net of landlord contributions, including two months of Multikino). We expect capital expenditures in 2014 to be less than £30 million (net of landlord contributions, including the full year effect of Multikino) and in 2015 to be less than £38 million (net of landlord contributions, including The Space). We believe a significant portion of our capital expenditure investments is discretionary.

### ***Track Record of Profitable Growth***

We have grown our cinema portfolio through a combination of organic growth and acquisitions across geographies. Since November 2005, we have developed 21 new cinemas with 200 screens in the United Kingdom. We believe we have been able to maximize operating results in terms of total admissions, average ticket price, concession spend per person and return on investment by strategically selecting the “right” place, building the “right” size and paying the “right” rent for our new builds. For example, our cinemas range from larger cinemas such as Vue Stratford City in London, which is a 17-screen, 63,500 square-foot, state-of-the-art multiplex as part of an approximately £1.5 billion commercial development project for the 2012 London Olympics, to smaller cinemas such as Vue Halifax, which is a 9-screen, 27,100 square-foot cinema located within an approximately £55 million mixed use development project in Halifax town center. As a result of this rigorous approach to capital expenditure, during the period from 2006 through 2013, we have progressively reduced the average number of years to pay back our initial investment in new cinema developments. In Italy, we believe our acquisition of The Space will bolster our growth track record, as The Space’s admissions market share grew by 5.3% between 2010 and 2013, according to Dodona Research.

We have extensive experience and a successful track record of value accretive acquisitions. These acquisitions have allowed us to consolidate in our existing markets and expand into new markets in Europe that are attractive because they remain fragmented and have significant growth potential. We believe our selective and disciplined approach to acquisitions has resulted in tangible operating performance gains for our acquisitions. We apply strict criteria when evaluating target acquisitions, which need to demonstrate

clear financial and strategic logic in terms of payback targets and investment hurdles, and a potential for operational improvement and accelerated growth. The table below summarizes our acquisitions since 2003.

<b>Name</b>	<b>Location</b>	<b>Date</b>	<b>No. of cinemas</b>	<b>No. of screens</b>
Warner Village Cinemas . . . . .	United Kingdom	May 2003	36	353
Cinemark . . . . .	United Kingdom	April 2004	2	17
Independent Operator (Accrington) .	United Kingdom	August 2004	1	4
Independent Operator (Oxford) . . .	United Kingdom	April 2005	1	9
Ster Century . . . . .	United Kingdom and Ireland	May 2005	7	86
Village Roadshow . . . . .	United Kingdom	June 2006	5	35
Hoyts (Wood Green) . . . . .	United Kingdom	December 2009	1	6
Apollo . . . . .	United Kingdom	May 2012	14	83
Cinemax <sup>(1)</sup> . . . . .	Germany and Denmark	August 2012	34	292
Multikino . . . . .	Poland, Lithuania and Latvia	September 2013	30	246
The Space (pending) <sup>(2)</sup> . . . . .	Italy	November 2014	36	362

(1) Includes one cinema with 10 screens in Raschplatz, Germany, which CinemaxX previously managed and was acquired as of January 1, 2013.

(2) We expect that the Space Acquisition will close on or about the Issue Date.

### ***Attractive Business Model with Strong Revenue and Cash Generation Capabilities***

We believe our business model is attractive with strong revenue and cash generation capabilities due to our critical position in the film distribution chain and the film industry's historic resilience. Cinema operators are an integral component of revenue generation for film distributors. According to the British Film Institute 2013 Statistical Yearbook, approximately 27% of a film's total revenue in the United Kingdom is earned in cinemas. According to the National Association of Theatre Owners, the amount of time a film is exclusively licensed for cinematic display prior to licensing for other distribution channels has generally stabilized over the last five years leading to a more stable and predictable revenue stream. Furthermore, a successful cinema release supports a film's revenue generation in channels after its initial theatrical release, such as DVD, Blu-ray, pay-per-view and cable.

We believe attending the cinema remains one of the most popular and affordable out-of-home entertainment options for consumers. The market has been relatively resilient even during economic downturns. For example, based on GDP data from the IMF and GBOR data from the Cinema Exhibitors' Association and the Germany Federal Film Board, as real GDP decreased in the United Kingdom and Germany, respectively, between 2007 and 2009, GBOR increased over the same period in both these markets. We believe our conveniently located, state-of-the art cinemas, as well as our strong market positions in the United Kingdom, Germany and Poland, have enabled us to maintain stable and consistent cash flows in those markets. In addition, we offer premium propositions to customers, such as VIP seating, 3D and our premium large format screens, Vue Xtreme, to generate revenue, while selectively using discounts to drive admissions volume. As a result, our average admissions levels and average ticket prices have remained relatively stable, including during the most recent economic downturn. In Italy, upon completion of The Space Acquisition, we plan to introduce VIP seating and certain concession offerings, including pick-and-mix confectionary, in addition to pricing initiatives, customer relationship management ("CRM") improvements and utility efficiencies.

### ***Experienced Founder-led Senior Management Supported by Committed Shareholders***

We were founded by our CEO, Tim Richards. Tim was joined by our deputy CEO, Alan McNair, in 1999 and our COO, Steve Knibbs, in 2003. This senior management team has over 80 years of combined experience in the film industry and has grown the Company from six cinemas at the end of 2002 to 187 cinemas, after completion of The Space Acquisition. Prior to The Space Acquisition, this team has also successfully integrated over 130 acquired sites since the founding of the Company. Our senior management remains significantly invested in the company and has reinvested at each stage of ownership change. We will continue to derive further benefit from the experience and financial support of OMERS and AIMCo, two of the largest and most experienced institutional investors in Canada, who both have extensive operational experience in Europe and North America.

## **Our Strategy**

### ***Continue to Focus on Operational Discipline and Excellence Across our Cinema Portfolio***

We have emphasized data-driven analytical rigor throughout our organization, and intend to continue to do so, in order to make sound, evidence-based, informed decisions at all levels. We believe this has been a key strength in the past and we plan to continue to extend these best-practices to our acquired cinemas in Germany, Denmark, Poland, Latvia, Lithuania and, upon completion of The Space Acquisition, Italy.

We will continue to focus on our operational strengths where historically we have been successful. For example, in 2012, in order to improve film scheduling, we analyzed and identified key drivers and conducted controlled scheduling trials at 24 cinemas in the United Kingdom for nine weeks. As a result, we were able to implement strategic changes that increased admissions and revenue at these cinemas while decreasing variable staff costs. We then rolled out these film scheduling strategies throughout our United Kingdom cinemas, and in 2014, we have been conducting further film scheduling improvement trials in both the United Kingdom and Germany to help us deliver the “right” film, on the “right” screen, at the “right” time, which we believe will help us to increase profitability. We believe this analytical testing approach to film scheduling should allow us to continue to increase profit across all of our operations. In Poland, we are implementing strategic trials to test the success of VIP seating and the Xtreme premium large-screen format. We have also reviewed the capital expenditure involved in planned new site developments in Poland, which have resulted in improvements in the projected returns on these new sites. We are also implementing new approaches to film scheduling in Poland, which we believe will increase revenues as we will be able to schedule films during optimal time slots. In Italy, upon completion of The Space Acquisition, we plan to implement a number of operational improvements, including adding VIP seating and occupancy controls for air conditioning units in certain sites.

We also intend to continue to apply a disciplined approach to all of our cost components. We have controlled our costs through a combination of competitive tendering processes, for both capital expenditures and for supply costs, which we intend to apply across our entire cinema portfolio. For example, we have recently begun to renegotiate leases to reduce property occupancy costs which will help us secure tenancy at key sites that are expected to deliver good long-term revenue generation. We also plan to continue our flexible staffing strategy to adjust employee-related costs in response to variations in admissions levels and to continue to invest in energy savings initiatives to reduce electricity and other utility costs across our cinemas. We also plan to renegotiate lease terms to reduce rental costs where possible. We believe we can continue to apply these costs strategies across our historical cinema portfolio and implement these practices across our acquired cinemas. We also intend to continue to incentivize certain managers and staff with bonuses based on profitability.

### ***Pursue Growth Opportunities***

We are focused on cash flow maximization and enhancing our industry leadership. We plan to pursue growth opportunities from our existing cinemas by attracting new customers and maximizing revenue from existing customers, opening new cinemas in the near term. We will also continue to evaluate and pursue selective acquisitions, such as The Space Acquisition.

We seek to provide a wide range of customer propositions from value offers to premium offers in order to both attract new customers and maximize revenue from existing customers. We plan to continue to deliver an innovative cinema experience, with packaged, branded and tailored offerings supported by high quality standards that drive and protect revenue streams. For example, in the United Kingdom, we have “Kids AM” for children as well as “Over 18s Screenings” for adults. We also intend to continue screening film and alternative content to improve utilization generally in periods of low film demand and to provide unique content offerings for customers, such as opera, concerts, ballet and sporting events, such as the 2014 FIFA World Cup, at premium pricing levels. We are also working on implementing CRM initiatives across our markets through which we will target promotions and marketing to customers based on their past cinema-going and purchasing activities to ensure a tailored cinema experience for our customers.

We believe a key component in customer choice is having easily accessible cinema locations with good public transport links and plentiful car parking. In our new sites, we seek to develop cinemas in locations with complementary services, such as in retail malls with restaurants and other leisure activities. We actively monitor new cinema developments and maintain a shortlist of potential locations. We are also investigating the feasibility across all markets of developing smaller multiplexes in areas with catchments of less than

100,000 people. In the 52 weeks ended November 29, 2013, we opened five new sites, totalling 36 screens. In the 52 weeks ended August 28, 2014, we opened four new sites totaling 31 screens.

We intend to continue to apply rigorous analytics of local catchment population, propensity to visit the cinema, income levels and local competition to ensure each cinema's configuration closely matches market capacity of the catchment area. We also believe that our experiences managing landmark cinemas, such as Westfield London, Westfield Stratford City and Leicester Square, and our experience in lease negotiation and capital expenditure control should enable us to minimize development costs to achieve superior payback periods on new cinemas.

We will continue to seek value-enhancing growth based on disciplined and sustainable strategies, including the careful evaluation, selection and pursuit of strategic opportunities throughout Europe. As with our acquisitions in the United Kingdom, Germany, Poland and Italy, we may seek to acquire cinema operators in Europe or elsewhere where we believe we can realize attractive returns on investment and generate significant free cash flow. We believe that certain markets in Europe remain fragmented and with our proven track record of identifying and integrating acquisitions successfully, we are well-placed to take advantage of strategic opportunities.

### ***Provide an Exceptional Cinema Experience Delivered by Friendly and Helpful Cinema Staff***

We aim to be the first choice for cinema entertainment in our markets. We seek to continue to differentiate our cinema experience by expanding and improving our customer propositions. In addition to location and price, we believe that customers also choose cinemas based on the quality of the cinema experience. We are focused on creating a consistent brand image, synonymous with a state-of-the-art cinematic experience. We are also focusing on customer satisfaction in terms of ease of booking tickets, premium viewing options and offering a wide range of concessions.

As the film industry produces franchise blockbusters that take advantage of premium formats such as 3D, we believe we can gain customers with our modern, state-of-the-art stadium-seated cinemas with digital technology such as Sony Digital Cinema 4K, which differentiates our cinema offering from less modern cinemas. We plan to continue to provide 3D formats and Vue Xtreme, which has premium large format screens and enhanced sound systems and have completed our digital investment with Sony Digital Cinema to provide 4K technology to our customers in Germany and Denmark. We are also currently considering the opportunity to introduce IMAX screens into certain of our cinemas in the United Kingdom, Germany and Denmark during 2015.

We also plan to continue our emphasis on customer choice in terms of pricing, film selection and amenities. For example, we intend to continue offering across our cinema portfolio premium pricing options such as VIP seating where customers can enjoy larger, more luxurious seating in prime locations in the auditorium, as well as customer discount propositions such as "Kids AM" and "Super Tuesday" offers in the United Kingdom. In addition, we intend to continue to offer customer propositions like internet booking and mobile applications that allow customers greater flexibility and ease in purchasing their tickets across our cinemas. We plan to continue to emphasize customer satisfaction and focus on training and motivating our employees to provide an exceptional cinema experience. For example, we have cinema incentive plans that reward employees based on cinema profitability and customer service standards. We also provide our cinema employees with a modular training program that covers all aspects of running a cinema, including cinema management, in order to provide better customer service. Additionally, in order to gain critical customer insight, we employ a number of internal and external sources that provide detailed pictures of customer behavior, trends and attitudes. Listening to customers and understanding their behavior is core to our ability to deliver successful new offers, enhance existing offers and to better predict demand in the future. We actively track customer service metrics to check we are delivering high quality service to our customers with our friendly and helpful staff. We intend to extend these customer-focused training and tracking initiatives to our newly acquired cinemas.

### **History**

We were founded by our CEO, Tim Richards, in 1998. Tim's business partner, deputy CEO, Alan McNair joined him in 1999. Both had extensive prior senior management experience in the cinema industry in the United Kingdom and internationally. The company was set up as Spean Bridge International Cinemas (SBC) with the support of Boston Ventures, a venture capital fund, and by the end of 2002, had opened four cinemas in the United Kingdom, and one in each of Portugal and Taiwan.



In 2003, SBC acquired Warner Village Cinema's UK circuit, which comprised 36 cinemas with 353 screens. Funds for the acquisition were provided by the existing investors and new investors. Following this acquisition, SBC changed its name to Vue Entertainment and became the operator of the second largest cinema chain by number of screens in the United Kingdom. The combined 400-screen state-of-the-art stadium seating multiplex cinema portfolio including the flagship Leicester Square cinema was fully rebranded as "Vue" within six months. The Vue portfolio continued to grow both organically and through a series of acquisitions including the acquisition of Ster Century in 2005, which at the time operated the highest grossing cinema in the United Kingdom and Ireland at the Liffey Valley Shopping Centre in Dublin.

In 2006, we completed a management buyout backed by Bank of Scotland Integrated Finance and simultaneously acquired the five cinemas we had been managing under contract for Village Roadshow. Between 2006 and the end of 2010, we developed an additional 14 cinemas in the United Kingdom, adding 133 screens to the portfolio and acquired Hoyts' 6-screen Wood Green cinema, bringing our portfolio to 70 cinemas and 679 screens.

Between 2010 through 2012, we achieved several significant milestones including opening two market leading cinemas in London, our 14-screen cinema at Vue Westfield London in 2010 and our 17-screen cinema at Vue Westfield Stratford City in 2011, which, according to IBOE/Rentrak, were the number one and four cinemas, respectively, in the United Kingdom for the 52 weeks ended August 28, 2014, as measured by GBOR. We were acquired by Doughty Hanson at the end of 2010. In 2012, we completed the acquisition of Apollo in the United Kingdom and CinemaxX in Germany and Denmark. Apollo added nine cinemas and 56 screens in the United Kingdom (after disposal of five cinemas with 27 screens), further strengthening our position in the United Kingdom. CinemaxX represented our first significant international acquisition, adding 34 cinemas located in Germany and Denmark to our portfolio. More recently, we acquired Multikino in Poland in September 2013, giving us a market-leading presence across both Western and Eastern Europe. In the same year, OMERS and AIMCo acquired Vue through the Vue Acquisition. In 2014, we closed our loss-making site in Portugal in July 2014 and most recently entered into an agreement to acquire The Space in October 2014.

### **Current Trading**

Although our full results for the five week period ended October 2, 2014 have not yet been completed, we estimate our total admissions for the five week period ended October 2, 2014 were 3.7 million. In the United Kingdom, total admissions for this period were lower compared to the corresponding period in 2013, due to a weaker film slate and unseasonably dry and warm weather. Conversely, admissions were higher in Germany compared to the corresponding period in 2013, due to the strong performance of Guardians of The Galaxy, and admissions in Poland were higher compared to the corresponding period in 2013 due to the success of local Polish films, particularly Miasto 44.

### **Principal Shareholders**

As of the date of this offering memorandum, the issued share capital of the Issuer consisted of 50,001 ordinary shares with a nominal value of £1.00 each, with one share fully paid-up and 50,000 shares paid up to £0.25 each, for a total paid-up share capital of £12,501. All the issued share capital of the Issuer is held by Midco, a private limited company incorporated under the laws of England and Wales, which is a wholly owned subsidiary of Finco, a private limited company incorporated under the laws of England and Wales, which is a wholly owned subsidiary of Holdco, a private limited company incorporated under the laws of Jersey. Holdco is wholly owned by the AIMCo Entities, the OMERS Entities, the Executive Managers (and their close relatives) and certain of Vue's senior management. The Issuer holds all of the shares of VEIL.

### **OMERS**

OMERS administers one of the largest pension funds in Canada with over C\$65 billion in net assets as at December 31, 2013 and offices in Toronto, New York and London. It invests in several asset classes including private equity, infrastructure, real estate, public equity and fixed income. OMERS has been investing in private equity since 1987, with over 9% of its assets (more than C\$7 billion) currently allocated to private equity investments. OPE, the private equity investment manager of OMERS, invests in mid- to large sized North American and European companies on behalf of OMERS. OPE, together with OPE U.K. and OMERS Private Equity U.S.A. Inc., comprises more than 35 investment professionals with extensive investing experience. Industries of focus include software, healthcare, business services and industrials. OPE has invested directly in 25 companies since 2006. It has a long-term investment horizon without the need for fund raising or liquidity

constraints. OPE prefers to partner with proven management teams and invest in companies that are market leaders, with solid business fundamentals and opportunities to grow, either organically and/or by acquisition. OPE aims to ensure that the management teams of its investment companies are aligned with its interests through meaningful management ownership.

## **AIMCo**

AIMCo is one of the largest public sector asset managers in Canada, with approximately C\$74.7 billion in assets under management as at December 31, 2013. AIMCo manages capital for Alberta public sector pension plans, Alberta Government endowment funds and the Province of Alberta. AIMCo manages investments across a wide variety of asset classes, including public equities, fixed income, real estate, timberlands, infrastructure and private equity. AIMCo currently has approximately C\$4.0 billion allocated to fund and direct investments within its growing private equity program. AIMCo's private equity focus is on mid- and large-cap companies in North America and Europe across a range of industries including consumer products and retail, financial services, industrial products, healthcare and business services. AIMCo private equity has a long-term investment outlook with access to capital and no fund raising requirements that can restrict traditional private equity funds. AIMCo looks to invest in market leading businesses with attractive growth prospects and exceptional management teams.

AIMCo has made investments across a number of sectors and geographies, including investments in North America, South America, Europe, and Australia. AIMCo is a crown corporation wholly owned by Her Majesty the Queen in right of Alberta, which is the legal personification of the Province of Alberta, Canada. AIMCo was incorporated under the Alberta Investment Management Corporation Act (Alberta) in 2008 for the purpose of managing investments on behalf of its clients. AIMCo has over 300 employees located at its head office in Edmonton, Alberta and at satellite offices located in Toronto, Ontario and London, U.K.

## **The Transactions**

### ***The Space Acquisition***

On October 16, 2014, the Issuer entered into The Space Acquisition Agreement to acquire, directly and indirectly, the entire corporate capital of CapitoloSette, from RTI and 21 Investimenti, on behalf of Fondo 21 Investimenti II, and to acquire the shares in The Space Entertainment S.p.A. held by Mr. Corrado and Mr. Canepa. The seven subsidiaries of The Space Entertainment S.p.A. and CapitoloSette manage and operate a circuit of 36 multiplex cinemas in Italy.

The Space Acquisition Agreement requires the Sellers to provide assistance procuring the repayment of the outstanding amount of certain of the existing bank facilities to which the subsidiaries of The Space Entertainment S.p.A. and CapitoloSette, are party. We will use a portion of the proceeds of this Offering to repay amounts outstanding under these loan agreements.

In addition to a fixed amount purchase price of €81.7 million, or approximately £65.0 million, The Space Acquisition Agreement also includes two earn-out mechanisms that provide for aggregate payments up to a maximum amount of €20.0 million. One earn-out is calculated on the basis of market admissions in 2015 and is likely to be paid, if at all, in 2016, and in any event no earlier than early 2016. The other earn-out is calculated on the basis of advertising revenues in 2015 and is likely to be paid, if at all, in early 2017, and in any event no earlier than 2016.

There are also various pass-through elements that are tied to the receipt of certain tax credits by The Space. These items will be passed through to the Sellers, with a cash-neutral effect on the Group.

Pursuant to The Space Acquisition Agreement, RTI has undertaken to provide, on completion of The Space Acquisition, a full indemnity to the Issuer to cover any liabilities resulting from certain tax proceedings with the Italian tax authority (*Agenzia delle Entrate*), and the Sellers have provided under the Space Acquisition Agreement an indemnity to the Issuer to cover any liabilities (up to €300,000) resulting from certain employment litigation to which the subsidiaries of The Space Entertainment S.p.A. are party.

The completion of The Space Acquisition is not subject to any conditions precedent pursuant to The Space Acquisition Agreement. The Space Acquisition must be completed by November 25, 2014, although the Issuer may elect to complete The Space Acquisition at an earlier date of its choosing, provided it gives at least five business days' notice to the Sellers, or at such other date as may be agreed in writing by the Issuer and the Sellers.

## The Financing

The Space Acquisition will be financed with the proceeds from the Offering, drawings from the Revolving Credit Facility and the New Issuer Loan (the "Financing"). The New Issuer Loan is funded by the repayment of £38.0 million to the AIMCo Entities and OMERS Entities in respect of the Bridge Loan Notes that were issued to them by Finco, as described below. See "Use of Proceeds".

Due to the timing of certain legal procedures relating to the Squeeze Out and the German Company Conversion, £34.1 million of Restricted Cash was retained in CinemaxX AG (which has since been converted to a *Gesellschaft mit beschränkter Haftung*) at the original Vue Acquisition Date (the "German Restricted Cash"); consequently Midco lent £34.1 million to the Issuer pursuant to the Bridge Loan Agreement. The proceeds that Midco lent to the Issuer pursuant to the Bridge Loan Agreement were advanced to Midco from Finco pursuant to an intercompany loan in connection with the issuance of the Bridge Loan Notes. The Bridge Loan Notes are 11% fixed rate unsecured notes issued by Finco to the AIMCo Entities and OMERS Entities. As of 28 August 2014, the principal and accrued interest on the Bridge Loan Notes was £38.1 million. The Intercreditor Agreement and Indenture permits payments to be made by the Issuer in respect of the Bridge Loan to the extent such payments are permitted or not prohibited under the RCF Facility Agreement and the Indenture, subject to a maximum payment of £38.0 million for principal and accrued interest.

As part of the Transactions, the initial Bridge Loan amounting to £34.1 million will be repaid by the previously restricted German Restricted Cash, and interest on the Bridge Loans amounting to £3.9 million will be repaid using internally generated funds. After this repayment an as-adjusted Bridge Loan balance of £89,000 will remain outstanding as of August 28, 2014. The amount of £38.0 million that will have been repaid to the AIMCo Entities and OMERS Entities, pursuant to repayment of the Bridge Loan Notes, will be reinvested by these entities as a New Issuer Loan to fund The Space Acquisition. See "Certain Relationships and Related Party Transactions — Bridge Loan and — New Issuer Loan."

As part of the Transactions, in addition to the drawings to partially fund the acquisition (see "Use of Proceeds"), we may draw under the Revolving Credit Facility to manage seasonal working capital requirements which are expected to reverse in the fourth quarter of 2014. The amount drawn under the Revolving Credit Facility will change depending on the level of cash and debt at the closing of The Space Acquisition, which is due to take place before or on November 25, 2014, pursuant to The Space Acquisition Agreement. See "— The Space Acquisition".

## Sources and Uses

We expect the gross proceeds from the Offering will be £55.7 million.

The estimated sources and uses of the funds necessary to complete The Space Acquisition are shown in the below table as if they had occurred as of August 28, 2014. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimate of existing cash in the business, our estimates of the cost of repaying certain of the existing bank facilities described below and differences from our estimates of transaction fees and expenses.

<u>Sources of funds</u>	<u>(£ in thousands)</u>	<u>Uses of funds</u>	<u>(£ in thousands)</u>
Cash <sup>(1)</sup> . . . . .	38,000	Repayment of Bridge Loan <sup>(1)</sup> . . . .	38,000
Additional Notes <sup>(2)</sup> . . . . .	55,653	The Space Acquisition purchase price <sup>(3)</sup> . . . . .	64,981
Drawings under existing Revolving Credit Facility <sup>(4)</sup> . . . . .	4,588	Repayment of certain existing bank facilities <sup>(5)</sup> . . . . .	26,701
New Issuer Loan <sup>(6)</sup> . . . . .	38,000	Estimated transaction fees and expenses <sup>(7)</sup> . . . . .	6,559
<b>Total sources</b> . . . . .	<b>98,241</b>	<b>Total uses</b> . . . . .	<b>98,241</b>

(1) As part of the Transactions, £38.0 million of the Bridge Loan represented by the outstanding Bridge Loan Notes will be repaid by the previously restricted German Restricted Cash and interest on the Bridge Loans amounting to £3.9 million will be repaid using internally generated funds. See "The Transactions — The Financing".

(2) The aggregate principal amount of the Additional Notes has been translated into pounds sterling at an exchange rate of €1.2578 per £1.00 based on the Bloomberg rate on August 28, 2014.

- (3) Represents the fixed portion of the purchase price on the closing date of The Space Acquisition, as set forth in The Space Acquisition Agreement and has been translated into pounds sterling at an exchange rate of €1.2578 per £1.00 based on the Bloomberg rate on August 28, 2014. See *"The Transactions — The Financing."*
- (4) Represents current estimate of new drawings under the Revolving Credit Facility. Actual drawings under the Revolving Credit Facility may vary from the figure presented, according to seasonal working capital requirements.
- (5) Represents the estimated repayment of certain of The Space's existing banking facilities, net of cash (excluding cash in transit and cash in tills).
- (6) The New Issuer Loan will be funded by the repayment of £38.0 million to the AIMCo Entities and OMERS Entities in respect of the Bridge Loan Notes that were issued to them by Finco. See *"The Transactions — The Financing"* and *"Certain Relationships and Related Party Transactions — Bridge Loan and — Issuer Loan and New Issuer Loan"* for further information.
- (7) Represents the estimated transaction fees and expenses, including fees and commissions, financing fees, advisory fees, other transaction costs, professional fees and the 2.5% original issue discount of the Additional Notes. This amount includes fees and expenses of £3.3 million relating to the issue of the Additional Notes.

### **The Issuer**

The Issuer was formed as a private limited company under the laws of England and Wales on May 2, 2013 and was reregistered as a public limited company organized under the laws of England and Wales on July 1, 2013, with a company number 8514872. The Issuer is wholly owned indirectly by Holdco which is wholly owned by the AIMCo Entities, the OMERS Entities, the Executive Managers (and their close relatives) and certain of Vue's senior management. The directors of the Issuer are James Timothy Richards, Alan McNair, Stephen Knibbs, Simon Jones, Mark Redman, Peter Teti and Robert Mah and may be contacted at the registered office of the Issuer. The Issuer's registered office is located at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS, telephone number +44 (0) 208 396 0100.

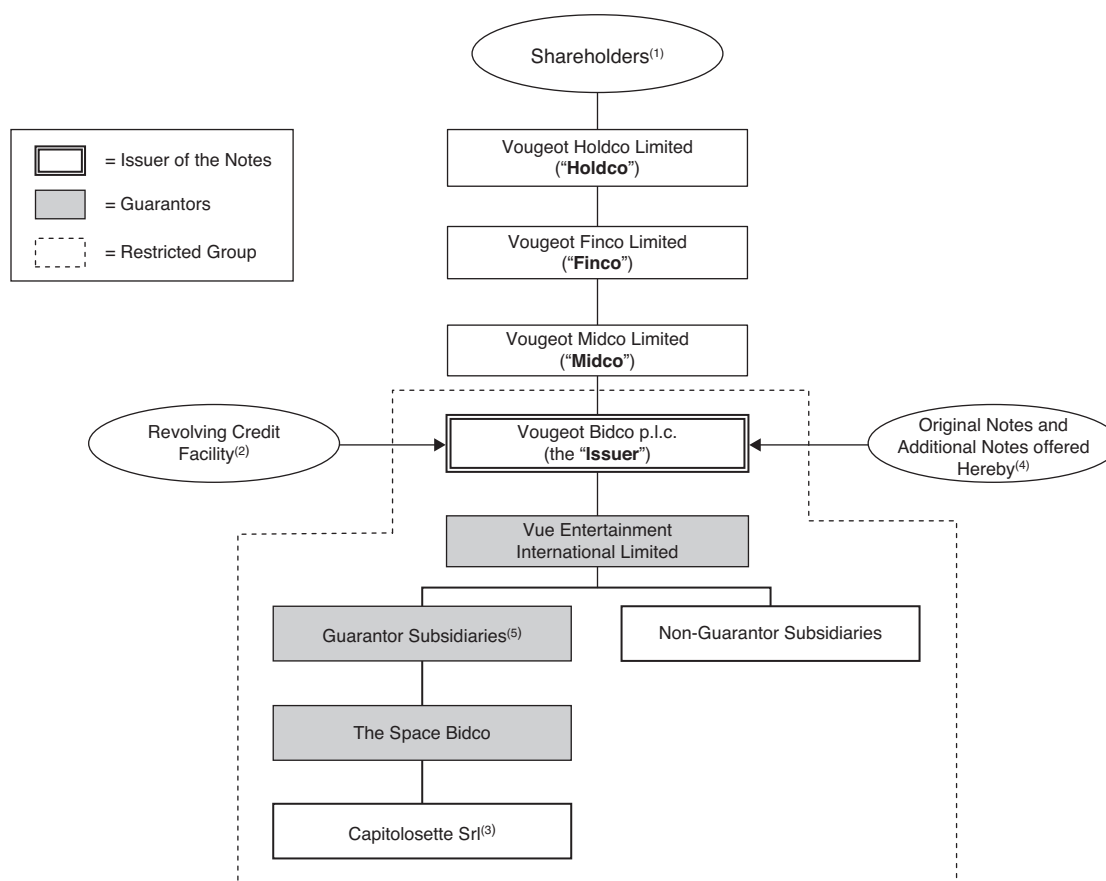
### **Risk Factors**

You should carefully consider the information under *"Risk Factors"* and all other information in this offering memorandum before making an investment decision.

## SUMMARY CORPORATE AND FINANCING STRUCTURE

The following diagram gives a simplified overview of our corporate and financial structure and principal outstanding financing arrangements after giving effect to the Transactions.

All entities shown below are 100% wholly-owned unless otherwise indicated. The diagram does not include all of our subsidiaries, or all of their debt obligations. For a summary of debt obligations identified in this diagram, please refer to the sections entitled "Description of Certain Financing Arrangements," "Certain Relationships and Related Party Transactions" and "Description of the Notes."



- (1) Refers to the OMERS Entities and the AIMCo Entities which hold 37.12% and 37.12%, respectively, of Holdco's ordinary share capital, and Executive Managers (and their close relatives) and certain members of Vue's senior management which hold an aggregate of 21.64% of Holdco's ordinary share capital. The remaining 4.12% of Holdco's ordinary share capital are reserved for issuance into an employee benefit trust but have not yet been issued. The Shareholders indirectly own 100% of the ordinary share capital of the Issuer.
- (2) On July 18, 2013, we, together with certain Guarantors, entered into the Revolving Credit Facility Agreement, which provides for up to £50.0 million of committed financing. The Revolving Credit Facility is secured by first-ranking security interests over the Collateral, which also secures the Notes and the Guarantees. Pursuant to the terms of the Intercreditor Agreement, the Revolving Credit Facility and certain hedging obligations are entitled to be repaid from the proceeds from enforcement in respect of the Collateral before any proceeds will be applied to repay obligations under the Notes. See "Description of Certain Financing Arrangements — Revolving Credit Facility." As of August 28, 2014, £4.0 million was outstanding under the Revolving Credit Facility. These drawings were used for working capital purposes. In connection with the Transactions, we anticipate that we will utilize an additional £4.6 million of the amount available under Revolving Credit Facility on the Issue Date.
- (3) We expect to complete The Space Acquisition on or around the Issue Date. Prior to the completion of The Space Acquisition, the Issuer will not control The Space, and The Space will not be subject to the covenants described in the section entitled "Description of the Notes." See "Risk Factors — Risks Relating to the Transaction — The Issuer does not currently control The Space and its subsidiaries and will not control The Space and its subsidiaries until completion of The Space Acquisition."
- (4) On July 18, 2013, the Issuer issued £300,000,000 in aggregate principal amount of Original Fixed Rate Notes and €290,000,000 in aggregate principal amount of Original Floating Rate Notes. The Issuer is offering €70.0 million in aggregate principal amount of Additional Notes in this Offering. The Original Notes are, and the Additional Notes will be, secured by first-ranking security interests granted on an equal and ratable first-priority basis over the Collateral. The Collateral that secures the Notes and the Guarantees will also secure the Revolving Credit Facility on a *pari passu* basis.

- (5) As of and for the 52 week period ended August 28, 2014, the Issuer and the Guarantors represented 87.4% of the Issuer's consolidated turnover, 94.6% of the Issuer's consolidated total assets and 86.2% of the Issuer's consolidated EBITDA, before taking into account The Space Acquisition. Following the completion of The Space Acquisition, The Space Bidco will become a Guarantor and will provide a share charge over its shares which are owned by Vue Entertainment Limited. None of The Space entities will be Guarantors, nor will they provide any lien to secure the obligations under the Notes. The Space Bidco is a holding company with no operating history, independent business operations or source of revenue, and its only significant asset following the completion of The Space Acquisition will be its equity interests in Capitololette S.r.l. The Guarantees will be subject to certain limitations under applicable law, as described under *"Risk Factors — Risks Relating to the Notes and the Guarantees — Each Guarantee is subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability."*



## THE OFFERING

*The following is a brief description of the principal terms of the Offering. It is not intended to be complete and certain of the terms and conditions described below are subject to important exceptions. You should carefully review the "Description of the Notes" and "Description of Certain Financing Arrangements — Intercreditor Agreement" sections of this offering memorandum for more detailed descriptions of the terms and conditions of the Additional Notes and the Intercreditor Agreement.*

<b>Issuer</b> .....	Vougeot Bidco p.l.c.
<b>Additional Notes Offered</b> .....	<p>€70,000,000 in aggregate principal amount of Senior Secured Floating Rate Notes due 2020 (the "Additional Notes"). The Additional Notes offered hereby are being issued as additional notes under the Indenture.</p> <p>There are £300,000,000 7.875% Senior Secured Notes due 2020 and €290,000,000 Senior Secured Floating Rate Notes (together they are referred to in this offering memorandum as the Original Notes) already outstanding under the Indenture. The Additional Notes will be treated as a single class together with the Original Notes for all non-tax purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Additional Notes offered hereby will be issued with OID for U.S. federal income tax purposes, and therefore the Additional Notes will trade separately under different ISIN numbers than the corresponding Original Floating Rate Notes.</p>
<b>Issue Date</b> .....	November 11, 2014.
<b>Issue Price</b> .....	97.5% plus accrued interest from (and including) October 15, 2014.
<b>Maturity Date</b> .....	The Maturity Date for the Notes is July 15, 2020.
<b>Interest Rate and Payment Dates</b> ..	Three-month EURIBOR plus 5.25% per year, reset on the Determination Date (as defined under "Description of the Notes") payable quarterly in arrears on each of January 15, April 15, July 15 and October 15, commencing on January 15, 2015. Interest on the Additional Notes will accrue from (and including) October 15, 2014 and will be payable in cash.
<b>Denominations</b> .....	Minimum denomination of €100,000 and integral multiples of €1,000 in excess thereof.
<b>Ranking of the Notes</b> .....	<p>The Additional Notes will:</p> <ul style="list-style-type: none"> <li>• be general obligations of the Company;</li> <li>• rank <i>pari passu</i> in right of payment with all existing and future obligations of the Company that are not subordinated in right of payment to the Notes, including its obligations under the Revolving Credit Facility;</li> <li>• rank senior in right of payment to all existing and future Indebtedness of the Company that is subordinated in right of payment to the Notes;</li> <li>• be effectively subordinated to any existing and future obligations of the Company that are secured by property or assets that do not secure the Notes or that secure the Revolving Credit Facility and certain hedging obligations on a priority basis, to the extent of the value of the property and assets securing such obligations; and</li> </ul>

- be structurally subordinated to any existing and future obligations of the Company's Subsidiaries that are not Guarantors.

The Additional Notes will be subject to the terms of the Intercreditor Agreement, including, subject to certain exceptions, payment blockage, standstill and turnover provisions. In addition, the Issuer's obligations in respect of the Notes may be released in certain circumstances. See *"Description of Certain Financing Arrangements — Intercreditor Agreement"* and *"Description of the Notes — Collateral."*

## Guarantees . . . . .

The Additional Notes will be guaranteed by the Guarantors, consisting of Vue Entertainment International Limited, Vue Holdings (Jersey) Limited, Vue Holdings (UK) Limited, Vue Entertainment Investment Limited, Vue Entertainment Holdings Limited, Vue Entertainment Holdings (UK) Limited, Vue Services Limited, Treganna Bidco Limited, Apollo Cinemas Limited, Shake UK Newco Limited, A3 Cinema Limited, Aurora Holdings Limited, Aurora Cinema (Ireland) Limited, Aurora Cinema Limited, Ster Century (UK) Limited, Vue Entertainment Limited, Vue Beteiligungs GmbH, SBC Portugal Limited, Vue Properties Limited, Vue Cinemas Limited, Vue Cinemas (UK) Limited, CinemaxX Holdings GmbH, CinemaxX Cinema GmbH & Co. KG, CinemaxX Entertainment GmbH & Co. KG, CinemaxX Movietainment GmbH, Multikino S.A and The Space Bidco.

The Original Notes had previously been guaranteed by Eudialyte Company sp. z o.o. ("Eudialyte"). This entity is no longer a Guarantor, as it merged with Multikino S.A. on October 10, 2014. The shares once held by Eudialyte are now held by Multikino S.A. as its own shares, and the new shares in Multikino S.A. are held by Shake UK Newco Limited.

As of and for the 52 week period ended August 28, 2014, the Issuer and the Guarantors represented 87.4% of the Issuer's consolidated turnover, 94.6% of the Issuer's consolidated total assets and 86.2% of the Issuer's consolidated EBITDA, before taking into account The Space Acquisition. Following the completion of The Space Acquisition, The Space Bidco will become a Guarantor and will provide a share charge over its shares which are owned by Vue Entertainment Limited. None of The Space entities will be Guarantors, nor will they provide any lien to secure the obligations under the Notes. The Space Bidco is a holding company with no operating history, independent business operations or source of revenue, and its only significant asset following the completion of The Space Acquisition will be its equity interests in Capitololette S.r.l.

The validity and enforceability of the Guarantees and the liability of each Guarantor will be subject to the limitations described in *"Risk Factors — Risks Relating to the Notes and the Guarantees — Each Guarantee is subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability."*

## Ranking of the Guarantees . . . . .

The Guarantees of each relevant Guarantor, with respect to the Additional Notes:

- will be a general obligation of that Guarantor;

- rank *pari passu* in right of payment with all existing and future obligations of such Guarantor that are not subordinated in right of payment to such Guarantee, including its obligations under the Revolving Credit Facility;
- rank senior in right of payment to all existing and future Indebtedness of such Guarantor that is subordinated in right of payment to such Guarantee; and
- be effectively subordinated to any existing and future obligations of the relevant Guarantor that are secured by property or assets that do not secure such Guarantees, to the extent of the value of the property and assets securing such obligations.

The Guarantees, in respect of the Additional Notes, will be subject to the terms of the Intercreditor Agreement and certain restrictions on enforcement of Collateral, including a 30-day consultation period with lenders under the Revolving Credit Facility Agreement. See *"Description of Certain Financing Arrangements — Intercreditor Agreement."*

The Guarantees will be subject to release under certain circumstances, including an automatic release of the Guarantee of any Guarantor to the extent such Subsidiary is sold by the Security Agent pursuant to an enforcement action. See *"Description of the Notes — The Guarantees — Release of the Guarantees."*

## Collateral .....

The Additional Notes and the Guarantees thereof will be secured by first-ranking Liens over the following Collateral (collectively, the *"Collateral"*):

- share pledges over the shares or partnership interests, as the case may be, of the Issuer, Vue Entertainment International Limited, Vue Holdings (Jersey) Limited, Vue Beteiligungs GmbH, CinemaxX Holdings GmbH (formerly CinemaxX AG), CinemaxX Cinema GmbH, CinemaxX Cinema GmbH & Co. KG, CinemaxX Entertainment Verwaltungsgesellschaft mbH, CinemaxX Entertainment GmbH & Co. KG, CinemaxX Movietainment GmbH, Shake UK Newco Limited, Multikino S.A. and The Space Bidco;
- fixed and floating charges over the assets of the Issuer, Vue Entertainment International Limited and Aurora Cinema (Ireland) Limited;
- bank account charges over the bank accounts of CinemaxX Holdings GmbH (formerly CinemaxX AG), Vue Beteiligungs GmbH, CinemaxX Cinema GmbH & Co. KG, CinemaxX Entertainment GmbH & Co. KG, CinemaxX Movietainment GmbH, Vue Holdings (Jersey) Limited and Multikino S.A.;
- assignment of intercompany receivables owed to Vue Entertainment International Limited from Vue Holdings (Jersey) Limited and owed from VEIL to the Issuer;
- security assignment of certain receivables of CinemaxX Holdings GmbH (formerly CinemaxX AG), Vue Beteiligungs GmbH, CinemaxX Cinema GmbH & Co. KG, CinemaxX Movietainment GmbH and CinemaxX Entertainment GmbH & Co. KG;

- intellectual property assignments over certain intellectual property rights of CinemaxX Holdings GmbH (formerly CinemaxX AG) and CinemaxX Entertainment GmbH & Co. KG;
- pledges over certain assets and property rights, including material IP rights, of Multikino S.A.;
- mortgage over material real estate properties of Multikino S.A.;
- an English law share charge over the shares of Vue Holdings (UK) Limited and Shake UK Newco Limited; an English law share charge over the shares of Ster Century (UK) Limited; an English law debenture granted by the Issuer and certain Guarantors; and an English law debenture granted by Vougeot Midco Limited, in each case, as confirmed by a global deed of confirmation for purposes of securing the Additional Notes and the related Guarantees;
- Scottish law standard security over each real property owned by Vue Entertainment Limited located in Scotland; Scottish law standard security over each real property owned by Vue Cinemas (UK) Limited located in Scotland; and Scottish law standard security over each real property owned by Ster Century (UK) Limited located in Scotland, in each case, as confirmed by a global deed of confirmation for purposes of securing the Additional Notes and the related Guarantees; and
- an Irish law share charge over the shares of Aurora Cinema (Ireland) Limited; and Irish law debentures granted by Aurora Cinema (Ireland) Limited and Ster Century (UK) Limited, in each case, as confirmed by Irish law deeds of confirmation.

**Additional Amounts** . . . . . All payments made by or on behalf of the Issuer under or with respect to the Notes, or any Guarantor with respect to its Guarantee, will be made without withholding or deduction for, or on account of, any present or future taxes unless required by applicable law. If withholding or deduction for such taxes is required to be made in any relevant taxing jurisdiction under or with respect to a payment on the Notes or the Guarantees, subject to certain exceptions, the Issuer or the relevant Guarantor, as the case may be, will pay the Additional Amounts necessary so that the net amount received by the holders of Notes after the withholding or deduction is not less than the amount that they would have received in the absence of the withholding or deduction. See *"Description of the Notes — Additional Amounts."*

**Optional Redemption** . . . . . As of the Issue Date, the Issuer may on any one or more occasions redeem, at its option, all or a part of the Additional Notes at the redemption prices, on the dates set forth in *"Description of the Notes — Optional Redemption"* plus accrued and unpaid interest and Additional Amounts, if any, to (but excluding) the redemption date.

**Change of Control** . . . . . Upon the occurrence of certain events defined as constituting a change of control, the Issuer may be required to offer to repurchase the Notes at a purchase price of 101% of the principal amount of such Notes, plus accrued and unpaid interest and Additional Amounts, if any, to (but excluding) the date of purchase and certain other amounts. See *"Description of the Notes — Repurchase at the Option of Holders — Change of Control."*

<b>Redemption for Taxation Reasons . . . . .</b>	<p>If certain changes in the law of any relevant taxing jurisdiction impose certain withholding taxes or other deductions on the payments on the Notes or with respect to a Guarantee, the Issuer may redeem all but not some of the Notes, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption. See <i>"Description of the Notes — Redemption for Changes in Taxes."</i></p>
<b>Certain Covenants . . . . .</b>	<p>The Indenture contains covenants that, among other things, will limit the ability of the Issuer and its restricted subsidiaries to:</p> <ul style="list-style-type: none"> <li>• incur or guarantee additional debt and issue certain preferred stock;</li> <li>• make restricted payments, including dividends or other distributions;</li> <li>• make certain investments;</li> <li>• engage in certain transactions with affiliates;</li> <li>• create or permit to exist certain liens;</li> <li>• sell, lease or transfer certain assets;</li> <li>• guarantee additional debt without also guaranteeing the Notes;</li> <li>• create certain restrictions on the ability of restricted subsidiaries to pay dividends or make other payments to the Issuer or a restricted subsidiary;</li> <li>• create unrestricted subsidiaries;</li> <li>• merge or consolidate with other entities or transfer all or substantially all of the Issuer's or a Guarantor's assets; and</li> <li>• impair the Security Interests for the benefit of the holders of the Notes.</li> </ul> <p>Each of these covenants is subject to a number of important limitations and exceptions as described under <i>"Description of the Notes — Certain Covenants."</i></p>
<b>United States Taxation . . . . .</b>	<p>For a discussion of the U.S. federal income tax consequences of an investment in the Additional Notes, see <i>"Certain Tax Considerations — United States Taxation."</i> You should consult with your own tax advisor to determine the U.S. federal, state, local and other tax consequences of an investment in the Additional Notes.</p>
<b>Transfer Restrictions . . . . .</b>	<p>The Additional Notes and the Guarantees thereof have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction and may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. We have not agreed to, or otherwise undertaken to, register the Additional Notes (including by way of an exchange offer). See <i>"Transfer Restrictions."</i></p>
<b>Use of Proceeds . . . . .</b>	<p>We will use the gross proceeds of the Additional Notes as set forth in <i>"Use of Proceeds."</i></p>

<b>Listing</b> . . . . .	The Original Notes have been admitted to the Official List of the Irish Stock Exchange and admitted to trading on its Global Exchange Market. Application has been made for the Additional Notes to be listed on the Official List of the Irish Stock Exchange and to be admitted to trading on the Global Exchange Market thereof.
<b>Governing Law of the Indenture, the Guarantees and the Notes</b> . . . .	The State of New York.
<b>Governing Law of the Security Documents</b> . . . . .	The Security Documents creating the Collateral are or will be, as applicable, governed by the laws of England and Wales, Scotland, Germany, Italy, Ireland, Jersey and Poland.
<b>Governing Law of the Intercreditor Agreement and the Revolving Credit Facility</b> . . . . .	England and Wales.
<b>Trustee</b> . . . . .	The Bank of New York Mellon, London Branch.
<b>Security Agent</b> . . . . .	Lloyds Bank plc.
<b>Registrar, Paying Agent and Transfer Agent</b> . . . . .	The Bank of New York Mellon, London Branch.
<b>Calculation Agent</b> . . . . .	The Bank of New York Mellon, London Branch.
<b>Listing Agent</b> . . . . .	McCann FitzGerald Listing Services Limited.
<b>Risk Factors</b> . . . . .	Investing in the Additional Notes involves risks. You should consider carefully all the information in this offering memorandum and, in particular, you should evaluate the specific risk factors set forth in the “ <i>Risk Factors</i> ” section in this offering memorandum before making a decision whether to invest in the Additional Notes.



## SUMMARY HISTORICAL FINANCIAL INFORMATION AND OPERATING DATA

The Issuer was formed as a private limited company under the laws of England and Wales on May 2, 2013 and was reregistered as a public limited company organized under the laws of England and Wales on July 1, 2013, with a company number 8514872. The Issuer is wholly owned indirectly by Holdco which is wholly owned by the AIMCo Entities, the OMERS Entities, the Executive Managers (and their close relatives) and certain of Vue's senior management. The Issuer's only material assets and liabilities are its interest in all of the issued and outstanding shares of VEIL and its outstanding indebtedness incurred in connection therewith.

This section presents our summary financial and other data for the indicated periods, derived or extracted from (i) the unaudited interim condensed consolidated financial statements of the Issuer as of and for the 39 week period ended August 28, 2014, prepared in accordance with best practice as derived from IAS 34; (ii) the audited consolidated financial statements of the Issuer as of November 28, 2013 and for the period from May 2, 2013 (date of incorporation) to November 28, 2013, prepared in accordance with U.K. GAAP, which only reflect the trading results of VEIL for the 16 week period from August 8, 2013 to November 28, 2013, as the Issuer acquired VEIL on August 8, 2013; (iii) the unaudited interim condensed consolidated financial statements of VEIL as of and for the 39 week period ended August 29, 2013, prepared in accordance with best practice as derived from IAS 34; (iv) the consolidated financial statements of VEIL as of and for the 52 week period ended November 28, 2013, prepared in accordance with U.K. GAAP; (v) the audited consolidated financial statements of VEIL as of and for the 53 week period ended November 29, 2012, prepared in accordance with U.K. GAAP; and (vi) the audited consolidated financial statements of VEIL as of November 24, 2011 and for the 56 week period from incorporation on October 26, 2010 to November 24, 2011, which includes the trading results of Vue Entertainment Investment Limited for the 49 week period from December 21, 2010, prepared in accordance with U.K. GAAP.

This section and the offering memorandum presents financial information for both the Issuer and VEIL, as the Issuer was not incorporated until May 2, 2013 and did not acquire the entire share capital of VEIL until August 8, 2013. The Group's results of operations are now consolidated at the level of the Issuer.

The financial information of the Issuer for the 52 week period ended August 28, 2014 included within this *"Summary Historical Financial Information and Operating Data"* section has been derived from the underlying books and records of the Issuer. The financial information for the 52 week period ended August 28, 2014 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date.

This section also presents certain unaudited *pro forma* financial information, including *pro forma* Adjusted EBITDA, *pro forma* third-party borrowings, *pro forma* cash at bank and in hand, *pro forma* net third-party borrowings, *pro forma* cash interest expenses (as defined in this offering memorandum) and leverage, which give effect to the Transactions and the acquisition of Multikino. Such *pro forma* measures are not financial measures defined in accordance with U.K. GAAP or IFRS and, as such, may not be comparable to similarly titled measures used by other companies. For a further description of the *pro forma* financial information as of and for the 52 weeks ended August 28, 2014 presented below, see *"Presentation of Financial and Other Information — Pro Forma Financial Information."*

The financial and other data includes certain financial measures that are not measures defined by U.K. GAAP or IFRS and, as such, may not be comparable to similarly titled measures used by other companies, as well as certain operating data related to our business. See *"Presentation of Financial and Other Information."* The following summary financial and other data should be read in conjunction with our Consolidated Financial Statements and notes thereto contained elsewhere in this offering memorandum and the sections entitled *"Capitalization," "Selected Historical Financial Information"* and *"Management's Discussion and Analysis of Financial Condition and Results of Operations."* Please also see *"Presentation of Financial and Other Information"* for further details on the consolidated financial and operating data included below.

(£ in thousands)	Issuer			VEIL		
	52 week period ended August 28, 2014	39 week period ended August 28, 2014	39 week period ended August 29, 2013	52 week period ended November 28, 2013	53 week period ended November 29, 2012	49 week trading period ended November 24, 2011
<b>Historical Consolidated Profit and Loss Account<sup>(1)</sup></b>					(Restated) <sup>(14)</sup>	
<b>Continuing operations:</b>						
Existing operations . . . . .	544,107	415,211	389,323	504,974	376,915	281,088
Acquisitions — Multikino . . . . .	—	—	—	13,245	—	—
<b>Turnover . . . . .</b>	<b>544,107</b>	<b>415,211</b>	<b>389,323</b>	<b>518,219</b>	<b>376,915</b>	<b>281,088</b>
Cost of sales . . . . .	(204,202)	(157,338)	(146,870)	(193,734)	(140,524)	(99,874)
<b>Gross profit . . . . .</b>	<b>339,905</b>	<b>257,873</b>	<b>242,453</b>	<b>324,485</b>	<b>236,391</b>	<b>181,214</b>
Administrative expenses . . . . .	(338,402)	(254,632)	(224,001)	(307,628)	(218,358)	(165,974)
<b>Group operating profit . . . . .</b>	<b>1,503</b>	<b>3,241</b>	<b>18,452</b>	<b>16,857</b>	<b>18,033</b>	<b>15,240</b>
Interest receivable and similar income . . . . .	(420)	167	164	184	124	86
Interest payable and similar charges . . . . .	(75,388)	(62,789)	(78,312)	(83,975)	(56,790)	(46,110)
<b>Loss on ordinary activities before taxation . . . . .</b>	<b>(74,305)</b>	<b>(59,381)</b>	<b>(59,696)</b>	<b>(66,934)</b>	<b>(38,633)</b>	<b>(30,784)</b>
Tax (charge) / credit on loss on ordinary activities . . . . .	(2,075)	(3,536)	(4,695)	(3,083)	(2,616)	(2,646)
<b>Loss on ordinary activities after taxation . . . . .</b>	<b>(76,380)</b>	<b>(62,917)</b>	<b>(64,391)</b>	<b>(70,017)</b>	<b>(41,249)</b>	<b>(33,430)</b>
Minority interests . . . . .	(510)	(330)	(216)	(396)	(175)	—
<b>Loss for the financial period . . . . .</b>	<b>(76,890)</b>	<b>(63,247)</b>	<b>(64,607)</b>	<b>(70,413)</b>	<b>(41,424)</b>	<b>(33,430)</b>

(£ in thousands)	Issuer	VEIL		
	August 28, 2014	November 28, 2013	November 29, 2012	November 24, 2011
<b>Historical Consolidated Balance Sheet</b>			(Restated) <sup>(14)</sup>	
<b>Total fixed assets . . . . .</b>	<b>1,034,026</b>	<b>733,871</b>	<b>661,246</b>	<b>538,752</b>
Cash at bank and in hand . . . . .	52,847	54,573	61,933	18,003
<b>Total current assets . . . . .</b>	<b>119,496</b>	<b>135,937</b>	<b>114,829</b>	<b>38,365</b>
<b>Total creditors: amounts falling due within one year . . . . .</b>	<b>(147,609)</b>	<b>(836,041)</b>	<b>(260,183)</b>	<b>(56,053)</b>
<b>Total assets less current liabilities . . . . .</b>	<b>1,005,913</b>	<b>33,767</b>	<b>515,892</b>	<b>521,064</b>
Creditors: amounts falling due after one year . . . . .	1,093,036	175,264	584,821	552,334
<b>Total shareholders' deficit . . . . .</b>	<b>(86,025)</b>	<b>(143,210)</b>	<b>(71,536)</b>	<b>(31,270)</b>
Minority interests . . . . .	(1,098)	1,713	2,607	—
<b>Capital employed . . . . .</b>	<b>1,005,913</b>	<b>33,767</b>	<b>515,892</b>	<b>521,064</b>

(£ in thousands)	Issuer			VEIL		
	52 week period ended August 28, 2014	39 week period ended August 28, 2014	39 week period ended August 29, 2013	52 week period ended November 28, 2013	53 week period ended November 29, 2012	49 week trading period ended November 24, 2011
<b>Historical Consolidated Cash Flow Statement<sup>(1)</sup></b>					(Restated) <sup>(14)</sup>	
<b>Operating activities:</b>						
Net cash inflow from operating activities . . . . .	66,266	61,474	46,518	53,079	62,040	30,731
<b>Net cash outflow from returns on investments and servicing of finance . . . . .</b>	<b>(40,747)</b>	<b>(36,967)</b>	<b>(17,783)</b>	<b>(18,900)</b>	<b>(24,020)</b>	<b>(11,111)</b>
Taxation (paid)/received . . . . .	(3,263)	(2,647)	(1,762)	(2,214)	(1,538)	366
<b>Net cash outflow from capital expenditure and other financial investments . . . . .</b>	<b>(82,560)</b>	<b>(22,558)</b>	<b>(17,207)</b>	<b>(73,944)</b>	<b>(139,292)</b>	<b>(465,826)</b>
<b>Net cash inflow/(outflow) from financing activities . . . . .</b>	<b>6,442</b>	<b>391</b>	<b>(13,172)</b>	<b>32,655</b>	<b>146,740</b>	<b>463,843</b>
<b>Increase/(decrease) in cash . . . . .</b>	<b>(53,862)</b>	<b>(307)</b>	<b>(3,406)</b>	<b>(9,324)</b>	<b>43,930</b>	<b>18,003</b>

## Summary Operating and Other Financial Data<sup>(1)</sup>

	Issuer		VEIL			
	52 week period ended August 28, 2014	39 week period ended August 28, 2014	39 week period ended August 29, 2013	52 week period ended November 28, 2013	53 week period ended November 29, 2012	49 week trading period ended November 24, 2011
Average ticket price <sup>(2)</sup> (£)	6.10	6.09	6.56	6.46	5.89	5.49
Total admissions <sup>(3)</sup> (in millions)	58.3	45.0	40.6	53.9	46.2	36.1
Total revenue per person <sup>(4)</sup> (£)	9.33	9.22	9.59	9.62	8.15	7.79
Total concession spend per person <sup>(5)</sup> (£)	2.10	2.08	2.13	2.15	1.93	1.81
Number of cinemas <sup>(6)</sup>	150	150	117	149	119	71
Number of screens <sup>(6)</sup>	1,359	1,359	1,089	1,348	1,085	699
Turnover	544,107	415,211	389,323	518,219	376,915	281,088
EBITDA <sup>(7)</sup> (£ '000)	77,800	61,339	59,422	72,335	64,303	53,588
Adjusted EBITDA <sup>(7)</sup> (£'000)	88,501	67,856	64,905	76,410	66,773	55,852
Adjusted EBITDA Margin <sup>(7)</sup> (%)	16.3	16.3	16.7	14.7	17.7	19.9
EBITDAR <sup>(7)</sup> (£'000)	177,487	137,010	129,386	166,249	132,115	102,823
Adjusted EBITDAR <sup>(7)</sup>	188,188	143,527	134,869	170,324	134,585	105,087
CapEx (£'000)	27,789	20,324	24,046	26,850	23,008	16,219
CapEx as % of turnover	5.1%	4.9%	6.2%	5.2%	6.1%	5.8%

## Pro Forma Financial Data

	As of and for the 52 week period ended August 28, 2014
	(£ in thousands)
<i>Pro forma</i> Adjusted EBITDA <sup>(8)(9)</sup>	99,640
<i>Pro forma</i> third party borrowings <sup>(10)</sup>	583,464
<i>Pro forma</i> cash at bank and in hand	10,751
<i>Pro forma</i> net third party borrowings <sup>(11)(13)</sup>	572,713
<i>Pro forma</i> cash interest expense <sup>(12)</sup>	41,497
Ratio of <i>pro forma</i> net third party borrowings to <i>pro forma</i> Adjusted EBITDA <sup>(13)</sup>	5.7x
Ratio of <i>pro forma</i> Adjusted EBITDA to <i>pro forma</i> cash interest	2.4x

(1) A number of different factors affect the comparability of our Consolidated Financial Statements. These are described in "Presentation of Financial and Other Information — Certain Factors Affecting the Comparability of our Consolidated Financial Statements". The principal factor affecting comparability of our results of operations and our cash flows relates to the number of weeks of trading activity and cash flows relating to businesses we have acquired, which, in accordance with U.K. GAAP, are only consolidated from the date of acquisition. The following table presents for each of the financial periods presented in this offering memorandum the number of weeks of trading activities and cash flows relating to the various acquisitions we have made:

	Date of acquisition / consolidation in financial statements	52 week period ended August 28, 2014	39 week period ended August 28, 2014	39 week period ended August 29, 2013	52 week period ended November 28, 2013	53 week period ended November 29, 2012	49 week period ended November 24, 2011
Multikino <sup>(a)</sup>	September 30, 2013	47 weeks	39 weeks	—	8 weeks	—	—
Issuer <sup>(b)</sup>	August 8, 2013	52 weeks	39 weeks	3 weeks	—	—	—
CinemaxX <sup>(a)</sup>	August 7, 2012	52 weeks	39 weeks	39 weeks	52 weeks	16 weeks	—
Apollo <sup>(a)</sup>	May 10, 2012	52 weeks	39 weeks	39 weeks	52 weeks	29 weeks	—
Vue Entertainment Investment Limited <sup>(c)</sup>	December 21, 2010	52 weeks	39 weeks	39 weeks	52 weeks	53 weeks	49 weeks

(a) VEIL acquired Apollo on May 10, 2012, CinemaxX on August 7, 2012 and Multikino on September 30, 2013.

(b) The Issuer was incorporated on May 2, 2013 and acquired VEIL, which constituted the trading group, on August 8, 2013.

(c) VEIL was incorporated on October 26, 2010 and acquired Vue Entertainment Investment Limited and its subsidiaries, on December 21, 2010.

(2) Calculated as total box office revenue in the period (net of VAT), divided by total admissions in the period.

(3) Includes paid and unpaid admissions in the period.

(4) Calculated as total turnover for the period, as consolidated at VEIL (net of VAT), divided by total admissions in the period.

(5) Calculated as total concession revenue for the period (net of VAT), divided by total admissions in the period.

(6) Number of cinemas or screens at period end.

- (7) EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, EBITDAR and Adjusted EBITDAR are supplemental measures of our financial and operating performance used by management that are not required by, or prepared in accordance with, U.K. GAAP or IFRS. These measures are prepared by management because we believe they provide a view of our recurring operating performance that is unaffected by our capital structure and allows management to readily view operating trends and identify strategies to improve operating performance. Our use of each of these measures is as follows:

- We define EBITDA as our consolidated loss on ordinary activities before taxation, adjusted for interest receivable and similar income, interest payable and similar charges, depreciation and amortization.
- We define Adjusted EBITDA as EBITDA, adjusted to remove the effect of certain non-recurring or non-cash items which we believe are not indicative of our underlying operating performance and to reflect certain cost savings that we would have realized if we had adopted certain 3D technology (that we expect to adopt in the future) in historical periods, in locations where our current 3D technology licenses have expired or will expire in the next 24 months.
- We define Adjusted EBITDA Margin as Adjusted EBITDA as a proportion of turnover.
- We define EBITDAR as EBITDA, adjusted for rent expense on land and buildings (including turnover rent and rent-free adjustments).
- We define Adjusted EBITDAR as Adjusted EBITDA, adjusted for rent expense on land and buildings (including turnover rent and rent-free adjustments).

The EBITDA measures presented may not be comparable to similarly titled measures used by other companies. We encourage you to review our financial information in its entirety and not to rely on a single financial measure. See “*Presentation of Financial and Other Information — Other Financial Measures*” for an explanation of certain limitations to the use of these measures.

- (8) The following table presents a reconciliation of EBITDA, Adjusted EBITDA, EBITDAR and Adjusted EBITDAR information to our loss on ordinary activities before taxation for the periods presented.

	Issuer		VEIL			
	52 week period ended August 28, 2014	39 week period ended August 28, 2014	39 week period ended August 29, 2013	52 week period ended November 28, 2013	53 week period ended November 29, 2012	49 trading week period ended November 24, 2011
<b>Loss on ordinary activities before taxation</b>	<b>(74,305)</b>	<b>(59,381)</b>	<b>(59,696)</b>	<b>(66,934)</b>	<b>(38,633)</b>	<b>(30,784)</b>
Interest receivable and similar income	420	(167)	(164)	(184)	(124)	(86)
Interest payable and similar charges	75,388	62,789	78,312	83,975	56,790	46,110
Depreciation	39,701	30,369	26,127	35,458	30,201	24,907
Amortization	36,596	27,729	14,843	20,021	16,069	13,441
<b>EBITDA</b>	<b>77,800</b>	<b>61,339</b>	<b>59,422</b>	<b>72,335</b>	<b>64,303</b>	<b>53,588</b>
Rentals under operating leases on land and buildings <sup>(a)</sup>	99,687	75,671	69,964	93,914	67,812	49,235
<b>EBITDAR</b>	<b>177,487</b>	<b>137,010</b>	<b>129,386</b>	<b>166,249</b>	<b>132,115</b>	<b>102,823</b>
<b>EBITDA</b>	<b>77,800</b>	<b>61,339</b>	<b>59,422</b>	<b>72,335</b>	<b>64,303</b>	<b>53,588</b>
<b>Non cash and non recurring items</b>						
(Profit) / loss on disposal of fixed assets	—	—	—	—	(139)	(411)
One-time fees paid to advisors and consultants <sup>(b)</sup>	2,428	1,356	1,093	1,298	727	—
Non-recurring salary and employee termination costs relating to Portugal <sup>(c)</sup>	181	181	—	—	—	—
Non-cash loss on disposal of Apollo assets <sup>(d)</sup>	—	—	—	—	332	—
Non-cash change in onerous lease provision caused by change in WACC <sup>(e)</sup>	—	—	—	—	(300)	2,675
Non-recurring salary and employee termination costs relating to Vue <sup>(f)</sup>	7	—	29	36	313	—
Non-recurring salary and employee termination costs relating to Cinemax <sup>(g)</sup>	331	—	803	1,123	1,537	—
Non-recurring salary costs relating to the 2013 Transactions	167	167	3,869	3,869	—	—
Cost savings relating to the termination of RealD licenses <sup>(h)</sup>	2,934	2,200	—	—	—	—
Non-cash release of excess accruals relating to the CinemaxX Acquisition	—	—	(1,397)	(1,397)	—	—
Exchange rate settlement movement on Bridge Loan Notes and bank debt as part of the 2013 Transactions	(218)	—	978	978	—	—
Share-based payment charge <sup>(i)</sup>	2,186	2,186	—	—	—	—
One-time VAT credits received from HMRC <sup>(j)</sup>	(2,353)	(421)	—	(1,932)	—	—
Non-cash onerous lease provisions <sup>(k)</sup>	4,497	586	—	—	—	—
Other one-time costs <sup>(l)</sup>	541	262	107	100	—	—
<b>Adjusted EBITDA</b>	<b>88,501</b>	<b>67,856</b>	<b>64,905</b>	<b>76,410</b>	<b>66,773</b>	<b>55,852</b>
Rent expense <sup>(a)</sup>	99,687	75,671	69,964	93,914	67,812	49,235
<b>Adjusted EBITDAR</b>	<b>188,188</b>	<b>143,527</b>	<b>134,869</b>	<b>170,324</b>	<b>134,585</b>	<b>105,087</b>

(a) Includes turnover rent and rent-free adjustments.

(b) Represents non-recurring fees paid to advisors and consultants in connection with certain consulting projects and in connection with the refinancing on December 14, 2012 of our existing bank facility.

(c) One time redundancy costs paid to employees in relation to the closure of our Portugal site.

- (d) Represents a non-cash loss in 2012 on the disposal of assets acquired as part of the acquisition of Apollo and the impairment of five Apollo sites in 2013.
  - (e) Represents the non-cash charge/(credit) in the onerous lease provision caused by a change in our weighted average cost of capital assumptions.
  - (f) Represents the non-recurring salary and employee termination costs, relating to previously implemented headcount reductions by Vue in connection with the digitalization of Vue's cinemas.
  - (g) Represents non-recurring salary and employee termination costs incurred by CinemaxX, following the date of its acquisition by Vue, relating to previously implemented headcount reductions realized following the digitalization of CinemaxX's cinemas.
  - (h) Represents the strategic decision to purchase certain digital equipment related to the projection of 3D films, expected to result in significant savings in costs. We currently have license arrangements on rolling five year terms and where such licenses have terminated or will terminate within the next 24 months, we have added back the associated costs as we consider such cases to be non-recurring. In connection with our strategic decision to purchase certain digital equipment related to projection of 3D films, we estimate that we will incur capital expenditures amounting to approximately £2.9 million over the next 24 months in relation to licenses that have terminated or will terminate in the next 24 months.
  - (i) Represents the non-cash share based compensation charge relating to the grant of class D ordinary shares in Holdco to employees in return for services rendered to the Issuer. We recognise the fair value of employee services received, measured by reference to the grant date fair value of the class D ordinary shares, over the vesting period, as an increase to staff costs.
  - (j) Represents one-time VAT credits received from HMRC in relation to sales of certain concession items, net of associated legal fees.
  - (k) Represents a non-cash provision for onerous leases at three previously discontinued CinemaxX sites in 2014 (Hamm, Rosenhoff and Mannheim) and UK sites in 2013.
  - (l) Represents one-time site abandonment and pre-opening costs.
- (9) Pro forma Adjusted EBITDA represents the Issuer's Adjusted EBITDA for the 52 weeks ended August 28, 2014, as adjusted to give pro forma effect to The Space Acquisition (which is expected to close prior to the end of November 2014) and the Multikino Acquisition, which occurred on September 30, 2013. Pro forma Adjusted EBITDA therefore gives effect to the acquisitions of Multikino and The Space as if they had occurred on August 30, 2013. The Estimated Adjusted EBITDA of The Space is derived from the underlying books and records of The Space which are maintained in accordance with IFRS. It should also be noted that U.K. GAAP differs in certain respects from IFRS and therefore the Estimated Adjusted EBITDA of The Space does not give effect to the differences between U.K. GAAP and IFRS. These differences could be material to Estimated Adjusted EBITDA of The Space, and as a consequence, to Pro Forma Adjusted EBITDA. A summary of certain differences between U.K. GAAP and IFRS that our management believes could have a significant impact on these measures is included in "Management's Discussion and Analysis of Results of Operations and Financial Condition — Factors Affecting Comparability — Summary of Certain Differences Between U.K. GAAP and IFRS".

The following table reconciles Adjusted EBITDA to Pro forma Adjusted EBITDA:

	<b>52 weeks ended August 29, 2014</b>
	<b>(in £ thousands)</b>
Adjusted EBITDA . . . . .	88,501
Adjusted EBITDA of Multikino for September 2013 <sup>(a)</sup> . . . . .	125
Estimated Adjusted EBITDA of The Space for the 12 months ended June 30, 2014 <sup>(b)</sup> . . . . .	11,014
Pro forma Adjusted EBITDA . . . . .	99,640

- (a) VEIL acquired Multikino on September 30, 2013. This *pro forma* adjustment reflects the Adjusted EBITDA of Multikino for the period from September 1, 2013 to September 30, 2013, which is derived from the underlying pre-acquisition books and records maintained in accordance with IFRS by Multikino provided to us in the course of the acquisition process and has been adjusted for differences identified by Multikino management between the accounting policies previously applied by Multikino and those applied by VEIL.

The following table reconciles Adjusted EBITDA of Multikino for September 2013, applying Multikino's pre-acquisition accounting policies, to Adjusted EBITDA of Multikino for September 2013, applying VEIL's accounting policies:

	<b>One month ended September 30, 2013</b>
	<b>(in PLN millions)</b>
<b>Adjusted EBITDA of Multikino for September 2013 (applying Multikino's pre-acquisition accounting policies)<sup>(a)</sup></b> . . . . .	<b>0.2</b>
Accounting policy adjustments <sup>(b)</sup> . . . . .	0.4
<b>Adjusted EBITDA of Multikino for September 2013 (applying Vue accounting policies)</b> . . . . .	<b>0.6</b>
<b>Adjusted EBITDA of Multikino for September 2013 (applying Vue accounting policies) (in £ millions)<sup>(c)</sup></b> . . . . .	<b>0.1</b>

- (a) Adjusted EBITDA of Multikino for September 2013 (applying Multikino's pre-acquisition accounting policies) is defined as net loss before income tax benefit, finance costs, amortization, depreciation and impairment charge, and the effect of certain one-off, non-recurring items that management of Multikino believes are not indicative of underlying

operating performance. These one-off, non-recurring items include the write-off of acquired programming rights, provision for property tax, and other accruals and provisions.

- (b) Represents the adjustment to align the pre-acquisition accounting policies of Multikino to the accounting policies applied by VEIL.
- (c) Adjusted EBITDA of Multikino for September 2013 (applying VEIL accounting policies) has been converted from Polish złoty to pound sterling at the exchange rate of PLN 4.98 to £1.00.
- (b) The estimated *pro forma* effect on our Adjusted EBITDA of The Space Acquisition as if such acquisition had been consummated and fully integrated on August 30, 2013 has been calculated as follows:

	Twelve months ended June 30, 2014 (in € millions)
Gross operating margin . . . . .	2.5
Amortization and Depreciation . . . . .	8.7
Restructuring costs <sup>(i)</sup> . . . . .	0.3
Extraordinary, non-recurring costs <sup>(ii)</sup> . . . . .	0.7
Provisions for risks <sup>(iii)</sup> . . . . .	1.3
Extraordinary gains and losses <sup>(iv)</sup> . . . . .	(0.1)
Bank guarantees <sup>(v)</sup> . . . . .	(0.2)
<b>Estimated Adjusted EBITDA of The Space . . . . .</b>	<b>13.2</b>
<b>Estimated Adjusted EBITDA of The Space (in £ millions) . . . . .</b>	<b>11.0<sup>(vi)</sup></b>

- (i) Represents €0.3 million relating to the restructuring of The Space in connection with corporate reorganizations that commenced at the end of 2010 and was completed at the end of 2012 (the "The Space Reorganization"). Following the completion of The Space Reorganization, the management of The Space does not anticipate any additional material costs to be incurred in connection with this restructuring.
- (ii) Represents, in aggregate, €0.7 million in costs incurred in connection with the following extraordinary, non-recurring activities: (i) notary and external consultant expenses incurred in connection with The Space Reorganization, (ii) legal fees incurred in connection with the amendment of existing bank loans and The Space Reorganization, and (iii) consultant fees incurred in connection with a cost-consultation.
- (iii) Represents adjustments for one-off, non-recurring accruals for risk in connection with certain employee litigation and employee taxes, and an adjustment for a one-off, non-recurring provision of €1.0 million that was made by The Space Management on December 31, 2013 in connection with the doubtful receipt of receivables due under a screen advertising contract.
- (iv) Represents a net, one-off extraordinary gain, primarily related to the reversal of accrued costs in the previous year.
- (v) Represents the reclassification of certain bank costs that, in the unaudited management accounts for the six months ended June 30, 2013, were not classified on a consistent basis with the income statement for the year ended December 31, 2013.
- (vi) For purposes of determining Estimated Adjusted EBITDA of The Space for the 12 months ended June 30, 2014 that is included in Pro forma Adjusted EBITDA, the Estimated Adjusted EBITDA of The Space has been converted from euros to pounds sterling at the exchange rate of €1.1985 to £1.000, which was the average exchange rate for the period from July 1, 2013 to June 30, 2014.

The figures in the above table presented herein are for informational purposes only. This information does not represent the results we would have achieved had the acquisition of The Space occurred on August 30, 2013. The calculation of Estimated Adjusted EBITDA of The Space is based in part on management judgment of The Space with respect to certain costs and expenses which are considered non-recurring and the unaudited management information and books and records of The Space. These numbers have not been audited or reviewed by our independent auditors or the independent auditors of The Space. The Estimated Adjusted EBITDA of The Space is included in this offering memorandum as we believe it provides a useful measure of our results of operations after giving effect to the results of The Space; however, this information does not constitute a measure of financial performance under U.K. GAAP or IFRS and should not be considered a substitute for operating profit, net profit, cash flow or other financial measures computed in accordance with U.K. GAAP or IFRS, or as a measure of our future results of operations or liquidity. Our definition of Adjusted EBITDA may differ from the definition of Estimated Adjusted EBITDA used by The Space, and therefore these measures may not be comparable. Furthermore, other companies, including those in our industry, may calculate similarly titled financial measures differently from us. As all companies do not calculate these financial measures in the same manner, the presentation of each financial measure may not be comparable to other similarly titled measures of other companies. Results indicated by certain of these measures may not be realized, and funds depicted by certain of these measures may not be available for management's discretionary use if such results are not realized.

The Estimated Adjusted EBITDA for The Space is for the twelve months ended June 30, 2014. This period does not align with the period for our Pro Forma Adjusted EBITDA. This difference in periods is due to the different reporting periods for the Issuer and The Space. As a result of this difference, our Adjusted EBITDA and the Estimated Adjusted EBITDA for The Space may not be directly comparable.



- (10) Total *pro forma* third party borrowings represents total current and non-current third party borrowings, adjusted for the Transactions, as described in the "*Use of Proceeds*" as if the Transactions had occurred on August 30, 2013. The Original Notes issued on July 18, 2013 and the Additional Notes offered hereby are stated net of £16.8 million of estimated capitalized issue costs and do not take into account that the Additional Notes will be issued with original issue discount. For the purposes of this presentation, the aggregate principal amount of the Original Floating Rate Notes and the aggregate principal amount of the Additional Notes have been converted into pounds sterling at an exchange rate of €1.2578 per £1.00 based on the Bloomberg rate on August 28, 2014.
- (11) *Pro forma* net third party borrowings represents total *pro forma* third party borrowings less *pro forma* cash at bank and in hand.
- (12) *Pro forma* cash interest expense represents the cash interest expense, as adjusted to give effect to the Transactions (including the accrued interest on the Additional Notes offered hereby, based upon the margin over three-month EURIBOR, as if the issue of the Additional Notes had occurred on August 30, 2013). For presentation purposes, the *pro forma* cash interest expense on the Additional Notes has been converted into pounds sterling at a rate of €1.2578 to £1.00. *Pro forma* cash interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the issue of the Additional Notes occurred on the date assumed, nor does it purport to project our interest expenses for any future period or our financial condition at any future date.
- (13) *Pro forma* net third party borrowings is presented above assuming *pro forma* cash at bank and in hand excludes Restricted Cash of £4.1 million.
- (14) We have reclassified certain amounts in the consolidated financial statements of VEIL for the 53 week period ended November 29, 2012, as presented as comparatives in the 2013 consolidated financial statements, in order to conform with our current presentation. The reclassifications (i) amend the allocation of certain results of operations of CinemaxX between revenue, cost of sales and administrative expenses as compared to their allocation in the 2012 consolidated financial statements, and has no impact on the total loss for the period or EBITDA; and (ii) amend the allocation of certain amounts due to creditors between loans and other creditors.

## RISK FACTORS

*An investment in the Notes involves certain risks. You should carefully consider the risks described below as well as the other information contained in this offering memorandum before making an investment decision. Any of the following risks may have a material adverse effect on our business, results of operations or financial condition and as a result, you may lose all or part of your original investment. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also have a material adverse effect on our business, results of operations or financial condition.*

### **Risks Relating to Our Business and the Industry**

#### ***We depend on film production and performance.***

Our ability to operate successfully depends upon the availability, diversity, appeal and commercial success of films and on our ability to license films on favorable terms. We mostly license first-run films, the success of which depends in part on the marketing efforts of the major film studios. Our revenues may, therefore, be volatile and are dependent on the efforts of others, as well as on factors outside of our control. Poor box office performance or any disruption in film production, including by reason of a strike or a reduction in the marketing efforts of the major film studios, could adversely affect our business by resulting in fewer customers interested in the films we exhibit and reduced revenue. Conversely, the successful performance of films, particularly the sustained success of any one film may generate positive results for us during a specific fiscal period or year that may not necessarily be indicative of, or comparable to, our future results of operations. A change in the type and breadth of films offered by film studios, including whether 3D films are produced in the future, may also adversely affect cinema admissions and revenue.

In addition, premium pricing on ticket sales including for 3D films, VIP seating and for premium screens such as our premium, large format screen Vue Xtreme, has become an important source of revenue for our cinemas. Our ability to charge premium pricing similarly depends on the quality and breadth of films available. 3D films may not maintain their current levels of popularity in the future, and we may not be able to maintain a VIP seating or premium screen pricing strategy, as customers may not continue to perceive that VIP or other premium seating or the value of viewing a film in 3D outweighs the incremental cost.

#### ***We have no control over distributors of films and our business, results of operations and financial condition may be materially adversely affected if our access to films is limited or delayed.***

We rely on distributors of films, over whom we have no control, for the films that we exhibit. The film distribution business is highly concentrated and dominated by the major Hollywood film studios, with a number of smaller film distributors also operating in the markets in which we have a presence. Film distributors license films to cinema operators, including us, on a film-by-film and cinema-by-cinema basis. Consequently, we cannot guarantee a supply of films by entering into long-term arrangements with major film distributors, but must discuss and agree supply on a film-by-film basis. The cost of each film, the date we can debut each film at our cinemas and the date we must stop running each film are subject to the agreement we are able to negotiate with each film distributor. Furthermore, film distributors determine the timing of releases, which may either result in limited content during certain periods, or the commercial underperformance of individual films as a result of other competing films being released or other events being held during the same period. Our business, therefore, particularly depends on maintaining good relations with these major film distributors, as this affects our ability to negotiate commercially favorable terms for first-run films. Our business also depends on smaller film distributors including those that distribute locally produced content in our markets, particularly in Italy, Poland and Germany. Our business may be adversely affected if our access to films is limited or delayed because of deterioration in our relationships with one or more film distributors or for some other reason. These factors have had and may continue to have the ability to impact our results of operations during specific reporting periods. To the extent that we are unable to license a popular film for exhibition in our cinemas or are not able to negotiate favorable terms or reach an agreement on terms for the exhibition of films, including films that are expected to be popular across a wide range of audiences, our business, results of operations or financial condition may be materially adversely affected.

#### ***We are subject to intense competition and if we are unable to compete, our business, results of operation or financial condition may be materially adversely affected.***

Our cinemas are subject to varying and, in some cases, significant degrees of competition in the geographic areas in which we operate. Competitors may be national, regional or independent cinema

operators and may have more resources with which to compete. In the United Kingdom, we operate in a relatively consolidated market with two primary competitors, Cineworld and Odeon. In contrast, the German cinema market is more fragmented, with the top three market players, Cinestar, CinemaxX and UCI Kinowelt, comprising in total less than a quarter of screens in 2013. Similar to the United Kingdom market, the Polish market is relatively consolidated with the three significant market players, Cinema City, Multikino and Helios, operating the majority of multiplexes. Similar to the German market, the Italian market is relatively fragmented, with the top three operators, The Space, Odeon UCI and Giometti accounting for less than a quarter of screens in 2013, according to Dodona Research. Outside of the top five operators, small independent operators account for over three-quarters of screens, according to Dodona Research. We also compete with other, smaller multiplex operators and independent operators across all of our markets.

Competition among cinema companies is often intense with respect to the following factors:

*Attracting customers:* The competition for customers is dependent upon factors such as the location (including the size and demographics of the catchment area) and number of cinemas, screens and seating capacity in a given market, the type of screens (including 3D or premium large format screens (equivalent to our Vue Xtreme screens)), pricing, the popularity of films screened, film showtime availability, customer service quality and the comfort and quality of the cinemas, including quality of projection and sound equipment. Our competitors have sought to increase the number of screens that they operate, program films differently or use pricing or promotions to attract customers away from our cinemas.

*Acquiring attractive cinema sites:* We compete with other cinema operators and other businesses in our efforts to locate and acquire attractive sites for our cinemas. Competitors have built or may be planning to build cinemas in certain areas where we operate, which could result in excess capacity and increased competition for customers. Competition for new and desirable sites is intense and we cannot prevent competing cinema operators from opening cinemas that may reduce our attendance levels.

*Acquiring cinemas:* We also anticipate significant competition from other cinema operators and financial buyers when trying to acquire cinemas, and we may be unable to acquire such cinemas at reasonable prices or on favorable terms. Moreover, some of these possible buyers may be stronger financially than we are. In addition, given our size and geographical presence, we may be required by competition regulatory authorities to dispose of cinemas in connection with any future acquisitions that we make. As a result of the foregoing, we may not succeed in acquiring cinemas or may face the prospect of having to purchase cinemas on comparatively unfavorable terms.

*Licensing films:* We believe that the principal competitive factors with respect to film licensing include licensing terms, number of screens available for a particular picture, revenue potential, the location and condition of an operator's cinemas and demographics. Cinema operators with operations in more markets than us may be able to leverage their scale to obtain more favorable terms than those which we can obtain.

If we are unable to compete with our competitors for any of the above or other reasons, our business, results of operations or financial condition may be materially adversely affected. For further information, see "*Business — Our Markets and Competition.*"

***An increase in other forms of entertainment, the use of alternative film delivery methods or piracy of films may drive down our admissions and reduce our ticket prices.***

We compete for the public's leisure time and disposable income with other forms of entertainment, including sporting events, music concerts, theater, restaurants and family leisure attractions, such as theme parks. If these activities improve in value, frequency or attractiveness, the share of the public's leisure time and disposable income spent at the cinema may decrease and, as a result, our admissions and revenue from ticket sales may be negatively impacted, especially in years with high-profile sporting and other public events. For example, in summer 2014, our results of operations during the summer season were adversely impacted by the 2014 FIFA World Cup.

We also compete with other film delivery methods, including network, rental, cable and satellite television, in-home television (2D and 3D), DVDs and Blu-ray, video-on-demand, pay-per-view services, streaming and downloads via the Internet. Competition from Internet downloads and streaming may increase as broadband technology improves, downloading speeds increase and the offerings of Internet streaming providers such as Netflix, Amazon and iTunes become more appealing, and if the window between a film's exclusive release in cinemas to its release in alternative delivery formats shortens or becomes

non-existent. See “— Our results of operations may be impacted by shrinking film release windows and the increasing popularity of alternative, real-time entertainment options, including Internet streaming.”

An increase in the popularity of these alternative film delivery methods and other forms of entertainment such as an increase in the time spent on the Internet, whether on gaming, shopping or other pastimes, could reduce admissions at our cinemas, limit the prices we can charge for admission and materially adversely affect our business, results of operations or financial condition.

In addition, an increase in the availability or popularity of pirated films, including through illegal Internet downloads and streaming, counterfeit DVDs or other forms of piracy, may result in film studios reducing their investment in films, resulting in the release of fewer films and lower quality films with less commercial appeal or the use of alternative delivery channels such as digital downloads, which could adversely affect our admissions and, as a result, our business, results of operations or financial condition.

***Our results of operations fluctuate as a result of the timing and quality of film releases, variations in weather conditions and other factors.***

Our results of operations have historically fluctuated with the timing of releases of films by the major film distributors. Generally, the most commercially successful films have been released during holiday periods, especially the summer and around the Christmas holidays. The unexpected emergence of a commercially successful film during other periods or the failure of an expected success at a key time could alter this trend. The timing of film releases have had and will likely continue to have a significant effect on our results of operations, and the results of one period are not necessarily indicative of results for the next period or for the same period in the following year.

We expect fluctuations due to the variable nature of film production and release, but unexpected events can have a significant impact on our cash flow, as we are subject to events beyond our control, such as distribution release schedules, weather conditions and competing events.

Title-by-title success of films at the box office can be highly unpredictable. Unexpected results may disrupt our projected cash flow significantly.

In addition, certain weather conditions or forecasts can reduce significantly the number of people who go to the cinema. During times of extreme weather conditions, such as winter snow storms or summer heat waves, the number of people who decide to go to the cinema could reduce significantly. For example, the United Kingdom experienced unusual weather patterns during the course of our 2013 financial year which adversely impacted our admissions and revenue. In addition, the UK experienced severe and widespread flooding in Spring 2014, which impacted admissions. Similarly, admissions in Poland in the third quarter of 2014 decreased, partly as a result of a heat wave in July and August.

Our business may also be affected by social, political, cultural or other events. For example, the rioting which took place in London and other United Kingdom cities in the summer of 2011 led to lower admissions and revenue than we have historically experienced during the summer period. Road closures or the reduced availability of public transport also has the ability to adversely impact admissions. If any of these factors were to materialize, it could have a material adverse effect on our business, results of operations and financial condition.

***Acquiring or expanding existing cinemas may require additional financing, and we cannot be certain that we will be able to obtain new financing on favorable terms, or at all.***

For the 52 weeks ended November 28, 2013, our capital expenditures were £22.3 million (net of landlord contributions, including two months of Multikino). We expect capital expenditures in 2014 to be less than £30 million (net of landlord contributions, including the full year effect of Multikino) and in 2015 to be less than £38 million (net of landlord contributions, including The Space). Actual capital expenditures may differ materially from our estimates. We may have to seek additional financing or issue additional securities to fully implement our growth strategy. We may be unable to obtain new financing, including debt financing in the credit markets, on favorable terms, or at all. In addition, covenants under our existing indebtedness may limit our ability to incur additional indebtedness, and the performance of any additional cinemas may not be sufficient to service the related indebtedness that we are permitted to incur.

***We may not realize all of the anticipated benefits of our current or potential acquisitions, including The Space Acquisition.***

We have acquired cinemas in the United Kingdom, Germany, Denmark, Poland, Latvia, Lithuania and, upon completion of The Space Acquisition, will have acquired cinemas in Italy. See “*The Transactions — The Space Acquisition*.” A component of our overall operating strategy is the careful evaluation, selection and pursuit of strategic opportunities throughout Europe, including acquisition of cinema operators. In considering any acquisition, we expect to benefit from operational improvements and cost savings through, for example, the rollout of our best practices to our acquired cinemas and the increased leverage in supplier negotiations that typically arises from increased size. We may be unable, however, to generate sufficient cash flow from these acquisitions to service any indebtedness incurred to finance such acquisitions or realize any other anticipated benefits. Furthermore, our profitability may not be improved by any one or more acquisitions as a result of failing to realize the benefits that we anticipate from these acquisitions. Additionally, in connection with The Space Acquisition, we may be required to pay up to an additional €20 million as a result of the earn-out provisions provided for in The Space Acquisition Agreement, which could result in a lower return on our investment than anticipated. See “*The Transactions — The Space Acquisition*”.

As we seek to grow our portfolio of cinemas, competition regulators may prevent us from acquiring businesses or place conditions or constraints on potential acquisitions which would result in a lost opportunity or a significantly less advantageous opportunity. For example, in connection with our acquisition of Apollo in the United Kingdom, the competition authority required us to dispose of five cinemas, totalling 27 screens. Additionally, the acquisition and subsequent integration of a new cinema chain is a complex and time consuming process and may divert management attention and resources away from other activities. Failure to manage growth effectively could materially adversely affect our business, results of operations and financial condition.

***We may not be able to integrate effectively any cinemas we acquire or successfully implement appropriate operational, financial and management systems and controls to achieve the benefits expected to result from such acquisitions.***

Our ability to integrate and manage acquired businesses effectively, such as in respect of our acquisitions of CinemaxX and Multikino, as well as the proposed The Space Acquisition, and to handle any future growth will depend upon a number of factors including the size of the acquired businesses, the quality of the acquired management, the nature and geographical locations of their operations, and the resulting complexity of integrating their operations. Our relationship with current employees or employees of any acquired business may become impaired. We may also be subject to unexpected claims and liabilities arising from such acquisitions. These claims and liabilities could be costly to defend, could be material to our financial position and might exceed either the limitations of any applicable indemnification provisions or the financial resources of the indemnifying parties. Although we try to investigate each business thoroughly prior to an acquisition and obtain appropriate representations and warranties as to its assets and liabilities, we may not be able to assess ongoing profitability and identify all actual or potential liabilities of a business prior to its acquisition. If we acquire businesses or assets which result in assuming unforeseen liabilities in respect of which we have not obtained contractual protections or for which protection is not available, this could materially adversely affect our business, results of operations or financial condition.

***We may not realize all of the anticipated benefits of and may experience construction risk on new cinema builds.***

We are actively seeking to grow our portfolio of cinemas through new cinema construction. Since November 2005, we have opened 21 new cinemas with 200 screens in the United Kingdom. The availability of attractive site locations for our cinemas is subject to various factors that are beyond our control. These factors include:

- local conditions, such as scarcity of space or increase in demand for real estate, demographic changes and changes in planning laws; and
- competition for site locations from other cinema companies and from other businesses.

In addition, we typically require two to three years from the time we identify a site to the opening of the cinema. Construction of new cinemas could result in cost overruns, delays in the timetable or unanticipated expenses related to planning or other laws. Developers may have difficulty in obtaining financing for new

developments. We are currently working with our development partners to construct new cinema developments. These developments may fail to compete or generate the results anticipated. Furthermore, although our management team carefully monitors new site development and selects locations for new cinema builds as part of its ongoing strategy, these new cinema sites may not perform to our expectations, due to factors such as location selection, deterioration of markets in which new cinemas are located or unexpected competition in new markets as a result of new cinemas, which could negatively impact our business, results of operations or financial condition.

***Industry-wide conversion to digital-based media may increase our costs and risks of litigation.***

The different markets in which we operate are at different stages in the process of converting to digital-based media. In the United Kingdom, we completed our conversion to digital-based media in August 2012. In Poland, digitalization was completed in 2011. In Italy, digitalization was completed in October 2012, and in Germany and Denmark, digitalization was completed in July 2013. Expected performance and operating benefits associated with the conversion to digital-based media may not be realized, leading to decreased earnings, which could have a material adverse effect on our business, results of operations and financial condition.

The industry is at different stages in adjusting to the conversion from celluloid-based media to digital-based media. There are a variety of constituencies associated with this change that significantly impact industry participants, including content providers, film distributors, equipment providers and cinema operators. To help finance the cost of conversion to digital projection, film distributors pay virtual print fees to cinema operators (or third-party intermediaries) based on films presented on approved digital projection platforms. Generally, film distributors continue to pay virtual print fees after a cinema has converted to digital projection until a cost recoupment date or threshold has been reached. Multikino continues to receive virtual print fees directly from film distributors, while in the United Kingdom and Germany virtual print fees are paid to third party intermediaries. After completion of The Space Acquisition, The Space will continue to receive virtual print fees directly from film distributors. These payments may not be received, and recovery of the costs associated with digitalization may not occur. Delayed or non-recovery of the full amount of these costs may have a material adverse effect on our business, results of operations or financial condition.

Our digital projector contracts are subject to complex contractual obligations, such as maintaining projectors to strict technical specifications, training our staff to operate the projectors, taking action to protect digital content from piracy and theft and various accounting and reporting requirements. If we fail to comply with our contractual obligations, the content providers may withdraw their support. Additionally, if we fail to adequately protect film content from piracy, we may be subject to litigation from film content providers. Furthermore, technology providers may not continue to supply digital projectors in the future and we may not have access to adequate capital to finance the technology purchases.

Additionally, digital-based media is a relatively new technology. Our digital projectors or the cinema management systems associated with the digital projectors may break down and lead to a disruption in film exhibition. Isolated incidents of film disruption may lead to customer dissatisfaction. Larger scale technology problems may affect either a particular cinema or a particular piece of equipment common at many of our cinemas. A large scale breakdown in technology could have a material adverse impact on our admissions, on the continuing financial support for digital transformation by the content providers, on our results of operations, on our financial condition and on our industry reputation. We rely on external suppliers for maintenance and repair of our digital projectors, and we cannot guarantee that maintenance will be performed in a timely or effective manner, which may lead to delayed film showings and, as a result, reputational harm.

***Our results of operations may be impacted by shrinking film release windows and the increasing popularity of alternative media delivery methods, including Internet streaming.***

The film release window represents the time that elapses from the date of a film's exclusive release in cinemas to the date a film is available for downstream markets, such as DVD, Blu-ray, pay-per-view, cable and iTunes and also Internet streaming media providers such as Netflix, Amazon and iTunes. While the average film release window has not declined significantly across Europe in recent years, film distributors may, in the future, seek to shorten the film release window. The film release window, which is determined by the film distributors, may shrink further or be eliminated altogether. If the release window shrinks or is eliminated altogether, admissions would be negatively affected which could have a materially adverse effect on our business, results of operations or financial condition.



Furthermore, film distributors may choose to release their films through other channels rather than through cinema operators and could also reduce or eliminate the film release window in its entirety by releasing films simultaneously to cinemas and in alternative film delivery format. Real-time entertainment applications, including Internet downloads and streaming of films by providers such as Netflix, Amazon and iTunes, have also grown in popularity in recent years, enabling users to download or stream content directly onto their computers or smartphone devices. If a substantial number of customers choose an alternative film viewing medium or activity, rather than attending a cinema for viewing, our business, results of operations or financial condition could be materially adversely affected.

***We depend on key personnel for our current and future performance.***

Our current and future performance depends to a significant degree upon the continued contributions of our senior management team and other key personnel. The loss or unavailability of any member of our senior management team or a key employee could significantly impair our business, and we may be unable to locate or employ qualified replacements for senior management or key employees on acceptable terms.

***We may not be able to generate anticipated levels of revenue from concession sales.***

We generate significant revenue through concession sales, consisting of food, confectionery and drink sales. Concession sales form the largest source of our revenue after box office receipts. Concession revenue is impacted by the types and lengths of films that we play and the exhibition format. General economic conditions may also impact consumer spending patterns on concessions. If for any reason, consumers spend less on concessions in the future, this could have a material adverse effect on our business, results of operations or financial condition.

***We may not be able to generate anticipated levels of revenue from advertising (including screen advertising), alternative content or ancillary sources.***

We generate revenue from advertising sales, the exhibition of alternative content and ancillary sources such as ticket booking fees. Advertising sales are affected by levels of admissions and overall advertising market trends. In the United Kingdom, Germany and Italy, we experience a significantly higher profit margin on advertising sales, particularly on screen advertising, than on box office receipts or concession sales. In Poland, this margin is lower since advertising sales are dealt with in-house. Currently, the majority of our screen advertising arrangements are with Digital Cinema Media ("DCM") in the United Kingdom, WerbeWeischer GmbH & Co. KG ("WerbeWeischer") in Germany, Multikino Media in Poland and PRS Srl ("PRS") in Italy. In previous years, our screen advertising arrangements included minimum guarantees which transferred the risk associated with declines in the screen advertising market to the intermediary and protected our screen advertising revenues. None of the contracts with DCM, WerbeWeischer or PRS provide for minimum guarantees, and there is no minimum guarantee between Multikino and Multikino Media. A decline or fluctuation in the screen advertising market would affect our ability to generate revenue through screen advertising sales.

Additionally, we show alternative content, such as sporting and cultural events and provide alternative uses of our cinemas for meetings or other corporate events. Our ability to achieve our business objectives may depend in part on our success in increasing these revenue streams. We may be unable to effectively generate revenue from the exhibition of alternative content.

Furthermore, we generate revenue through booking fees for tickets. We may, in the future, be either forced to or choose to cease collecting booking fees on ticket sales as a result of regulation or other factors. Any significant decrease in revenue from these sources could have a material adverse effect on our business, results of operations and financial condition.

***We may not realize the expected benefits from our operational improvement or EBITDA-enhancing capital expenditure initiatives.***

In order to improve the efficiency of our operations, we have implemented and continue to implement certain operational improvement initiatives, including a more sophisticated approach to content scheduling, ticket price strategy changes and energy saving initiatives. Operational improvements include our pricing strategy initiatives which we are introducing across the Group. In our cinemas in the United Kingdom these initiatives encompass our premium 3D, Vue Xtreme and VIP seat offers and discount promotions such as our "Super Tuesdays" offer, "Orange Wednesday" promotion and "Kids AM" offer. Our discount offerings may adversely impact any revenue derived from our standard or premium offerings. Furthermore, we have

invested and will continue to invest, in EBITDA-enhancing capital expenditure, including additional screens, premium screens, additional VIP seating and digitalization. See “— *Industry-wide conversion to digital-based media may increase our costs and risks of litigation*”. We may not realize the level of expected cost savings or revenue increases or improve our operating performance as a result of our past, current and planned operational improvement and EBITDA-enhancing capital expenditure initiatives. We may also be subject to significant cost increases beyond our control, such as increases in statutory minimum wage requirements, film rental costs, rent reviews, energy prices or the cost of our goods sold. Failure to realize any of these expected benefits could have a material adverse effect on our business, results of operations and financial condition.

***Our operations are subject to extensive regulations which may increase our costs and adversely affect us.***

The cinema industry is regulated by various laws and regulations in the jurisdictions in which we operate. The scope of such regulation includes infrastructure, employment and operational issues relating to cinemas, as well as safety and security requirements. We cannot fully anticipate all changes that might be made, in the future, to laws and regulations, nor the possible impact of all such changes, and our ability to conduct our business is dependent on our ability to maintain authorizations, licenses and certificates. We are routinely audited to ensure compliance with all cinema and retail operation requirements, including compliance with age restrictions as dictated by film ratings that are determined by film classification authorities. Our licenses may not be renewed or we may fail to pass all audits in the future. If we fail to pass such audits or if we are found to be in breach of regulations applicable to us, we could face fines, revocation of operating licenses, adverse publicity or closure of our cinemas, all of which could have a material adverse effect on our business, results of operations or financial condition. We are also subject to potential increases in the statutory minimum wage and other changes in employment regulation in the markets in which we operate. In addition, we are subject to levies on box office revenue. Any related increases in these levies by governmental or non-governmental bodies in the markets in which we operate could have a material adverse impact on our business, results of operations and financial condition.

We rely on local language films, in addition to Hollywood films. Production and distribution of such local films may depend upon government support, and we cannot guarantee this support will continue in the future. Consequently, changes in laws or regulations or licensing or government support could have a material adverse impact on our cost of operations or revenue from operations.

Furthermore, we sell and advertise various products including alcohol, confectionery products and soft drinks and also collect booking fees on certain ticket sales. The sale and advertising of these and other products may be subject to additional regulation and restrictions in the future. Any restriction on our ability to sell or advertise certain products or collect booking fees may limit our ability to generate revenue from these sources in the future, which would have a material adverse impact on our business, results of operations and financial condition.

***Instances of illness, epidemics or terrorist attacks, as well as negative publicity relating thereto, could result in reduced admissions and materially and adversely impact our business, results of operations or financial condition.***

Instances of illness, whether or not traced to our cinemas, could reduce admissions at our cinemas materially. Claims of illness, whether or not traced to our cinemas, relating to food quality or handling at the retail stands could also cause us to lose admissions materially. In addition, any negative publicity relating to these and other health related matters might affect consumers’ perceptions of our cinemas, or cinemas in general, and reduce admissions to our cinemas materially. The outbreak of a prolonged pandemic or epidemic disease or the occurrence of any other public health concern could negatively impact the public’s willingness to gather in public spaces, which could reduce admissions or revenue at our cinemas. In addition, any such public health concerns may severely restrict the level of economic activity in affected areas. Any of these events could have a material adverse effect on our business, financial condition and results of operations. In addition, an actual or threatened terrorist attack or public disorder, such as the riots in the United Kingdom during summer of 2011, could cause people to avoid going out into public areas or visiting our cinemas or other public places where large crowds are in attendance.

***Product recalls and associated costs could adversely affect our reputation and financial condition.***

We sell food and beverages, the sale of which involves legal and other risks. For example, we may need to recall food products if they become contaminated. Even though we are resellers of food, we may be liable

if the consumption of any of the products we sell causes illness or injury. A recall could result in losses due to the cost of the recall, the destruction of product, reduced consumer demand and lost sales due to the unavailability of product for a period of time. A significant food recall could result in adverse publicity, damage to our reputation and loss of consumer confidence in our cinemas, which could have a material adverse effect on our business, results of operations or financial condition.

***We may suffer future impairment losses, as a result of potential declines in the fair value of our assets.***

The opening of new cinemas by us and certain of our competitors has drawn audiences away from some of our other cinemas. In addition, demographic changes and competitive pressures have caused, and may in the future cause, some of our cinemas to become unprofitable. As a result, we may choose to close certain cinemas, pay lease termination charges or recognize impairment losses related to the decrease in value of particular cinemas. We review long-lived assets, including intangibles, for impairment as part of our financial year-end process and whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. We continually monitor the performance of our cinemas, and factors such as changing consumer preferences for filmed entertainment and our inability to sublease vacant space could negatively impact operating results and result in future closures, sales, dispositions and significant cinema and other closure charges prior to expiration of underlying lease agreements.

We have a significant amount of goodwill from acquisitions, amounting to £734.5 million as of August 28, 2014. We evaluate goodwill for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is evaluated for impairment by computing the fair value of a reporting unit and comparing it with its carrying value. If the carrying value of the reporting unit exceeds its fair value a goodwill impairment is recorded. Significant judgment is involved in estimating cash flows and fair value. Management's fair value estimates are based on historical and projected operating performance, recent market transactions and current industry trading multiples. Declines in our attendance due to increased competition in certain regions or countries, or economic factors that lead to a decline in attendance in any of our markets could negatively affect our estimated fair values and could result in further impairments of goodwill.

We also have tradename intangible assets. Tradename intangible assets are tested for impairment whenever events or changes in circumstances indicate the carrying value may not be fully recoverable. We estimate the fair value of our tradenames by applying an estimated market royalty rate that could be charged for the use of our tradename to forecasted future revenue, with an adjustment for the present value of such royalties. If the estimated fair value is less than the carrying value, the tradename intangible asset is written down to its estimated fair value. Significant judgment is involved in estimating market royalty rates and long-term revenue forecasts. Management's estimates are based on historical and projected revenue performance and industry trends.

Deterioration in the performance of our cinemas could require us to recognize additional impairment losses and we may choose to close cinemas in the future, which could have a material adverse effect on our business, results of our operations or financial condition. Significant impairment charges may be required in the future, and such charges may have a material adverse effect on our business, results of operations and financial condition.

***We have significant deferred tax assets which may not be recoverable.***

As of November 28, 2013, our CinemaxX operations in Germany maintained a deferred tax asset of £14.4 million. We determine the value of our deferred tax asset by estimating future taxable income, taking into account various uncertainties in future cash flows and taxable profits. Our ability to use these deferred tax assets and the carrying value of these assets, are dependent upon having future taxable income in Germany during the periods in which we are permitted to use our tax loss carry-forwards. If our estimates of our future taxable income and future cash flows in Germany are not accurate, the full value of these deferred tax assets may not be available to reduce our future tax liabilities, and the value of these assets may be subject to impairment. Furthermore, a change of control of VEIL or CinemaxX of more than 50% could result in the loss of our deferred tax assets. A partial change in ownership in CinemaxX of 25% to 50% could result in a proportional loss of our German deferred tax assets. Following a change of control as described above, a forfeiture may occur to the extent that existing losses exceed the taxable hidden reserves of the loss owning

CinemaxX companies and their holding companies. Accordingly, there is a risk that a partial change in ownership or change of control could result in the loss or impairment of our German tax assets.

***A failure to adapt to future technological innovations could negatively impact our ability to compete effectively and could materially adversely affect our business, results of operations or financial condition.***

New technological innovations continue to impact our industry. We may be unable to respond to or invest in changes in technology and the technological preferences of our customers. For example, some of our competitors have invested in a greater number of 3D-capable screens, and if consumer preferences were to change rapidly in favor of 3D films, we may not be able to compete with other cinema operators. We have recently chosen to replace our current RealD 3D equipment with competitive 3D offerings from Masterimage and Sony 3D, and we expect the equipment conversion to take place over time, between 2014 and 2018, as our licenses with RealD expire. RealD have patents pending in Europe on their technology, and the granting of these patents may result in patent infringement claims against Masterimage by RealD. In addition to the above, we may not install this technology successfully, in a timely manner or at all, and as a result, we may fail to achieve the anticipated cost savings we intend to realize from this new technology.

Additionally, new digital technologies are expected to become commercially available in 2015 and 2016 which utilize laser light sources, rather than traditional Xenon bulbs, representing an opportunity for enhanced premium format screens and potential cost reduction resulting from more efficient light sources. Adoption of this new technology may result in significantly higher costs and increase the level of competition for premium format screens, and we may not be able to adopt this technology in a timely manner to take advantage of any competitive benefits. Any rapid change in technology or related consumer demand in the future to which we are unable to profitably adapt could materially adversely affect our business, results of operations or financial condition.

***We are subject to risk related to our leases.***

Periodically, our leases are subject to rent review and our rent may be increased according to prevailing market rates, inflation or other contractual conditions. Rent increases may adversely affect our earnings. Certain of our leases permit the landlord to terminate the lease if there is a default under the lease, including, for example, our failure to pay rent, service charges, insurance or applicable taxes in a timely fashion. Additionally, in Poland, in certain circumstances, the leases can be terminated by the bankruptcy administrator after the landlord's bankruptcy. If a landlord were to terminate one of our leases, this would halt our operations at that cinema and could have a negative impact on our financial condition and results of operations. Furthermore, in Germany, certain of our leases require us to give bank guarantees as collateral to landlords. Any disputes that may result from such a termination may be expensive to pursue and may divert money and management's attention from our other operations and adversely affect our business, results of operations or financial condition.

If we decide to close certain cinema sites, we would still be liable in respect of all obligations under the leases for those sites. The majority of our cinemas are held pursuant to leases with long terms which cannot be terminated early by the tenant. Under most of these leases, we are not permitted to terminate the lease even if we cease operating the cinema because it is not profitable. We expect additional cinemas that we may acquire in the future to be subject to similar long-term, non-terminable leases. If we decide to close an existing or future cinema, we may be committed to perform our obligations under the applicable lease which would include, among other things, payment of the base rent for the balance of the lease term, which would reduce our profitability and limit our ability to expand in other locations.

The majority of our sites are leased from third parties for a fixed term although some leases incorporate contractual rights to extend the lease term. At the end of the lease term or any lease extension, if applicable, we may be unable to renew the lease without substantial additional cost, if at all. If we are unable to renew our leases, we may be forced to close or relocate a cinema, which could subject us to construction and other costs and risks, and could have a material adverse effect on our business, results of operations or financial condition. For example, closing a cinema, including during the time of relocation, will reduce the amounts that the cinema would have contributed to our revenue. Additionally, revenue and profit, if any, generated at a relocated cinema may not equal the revenue and profit generated at the existing cinema. We also face competition for suitable sites for new cinemas. As a result, we may not be able to secure or renew leases for appropriate sites and/or at acceptable rent levels.

***Work stoppages and other labor problems could negatively impact our future profits.***

Some of our employees are represented by labor unions and labor councils and more may be in the future. We have experienced minor work stoppages in Germany in the past and may experience more significant work stoppages or other labor disruptions in the future. A lengthy strike or collective bargaining negotiation at one or more cinemas or in one or more territory or other work stoppage at one or more of our cinemas could have a material adverse effect on our business, results of operations or financial condition. The impact of this potential union and collective bargaining activity is undetermined and could negatively impact our profits. Furthermore, we schedule our cinema employees on a flexible basis according to demand and any change in our ability to use a flexible work schedule could impact our operating efficiency, which could have a material adverse effect on our business.

***We rely on information technology in our operations and administration. Any material failure, inadequacy, interruption or breach of security of that technology could harm our ability to effectively operate our business and subject us to data loss, litigation, liability, including liability for theft of film content, and reputational harm.***

We rely on computer systems for ticket sales, sales of retail goods and promotional activity. Additionally, we rely on our computer systems to manage most cinema-level administrative functions such as coordinating payroll, tracking cinema invoices, generating operating reports to analyze film performance and cinema profitability and generating information to detect theft. Disruption of our information technology systems could result in difficulty collecting revenue from our customers, loss of important data, increased expenses and disruption in our marketing and promotional activities. We rely on centralized information systems across our operations for efficient film scheduling and advertising of seat availability. Our ability to effectively operate and manage our business depends significantly on the reliability and capacity of these systems. We rely on computer systems for the exhibition of our films. Any breakdown in these systems could result in a disruption or cancellation of the showing of a particular film, or the closure of a screen until the technology can be repaired. In addition, failure of the information technology related to our digitalization, including the satellite or broadband hardware and connection which allow for delivery of digital films to our cinemas, could negatively impact the operation of and cost savings derived from our digitalization roll-out.

Despite our efforts and investment in technology to secure our computer network, security could be compromised. For instance, in connection with credit card sales, we transmit confidential credit card information securely over a private network and store it in an encrypted form within our Electronic Funds Transfer ("EFT") third-party software. We also store customer information such as names and address details (at the option of the customer) in a computer database for marketing purposes. Our databases are vulnerable to interference by individuals external to our business and by our own employees and service providers, and any misuse could include fraud and identity theft, such as theft of credit card details. Third parties may have the technology or know-how to access and breach the security of this customer information, and our security measures may not effectively prohibit others from obtaining improper access to this information. If a person is able to circumvent our security measures, he or she could destroy or steal valuable information, which could lead to litigation, or disrupt our operations, any of which could have a material adverse effect on our business, results of operations and financial condition.

We also collect and retain large volumes of internal and customer data that are entered into, processed by, summarized by and reported by our various information systems. If that data is not accurate or complete we could make faulty decisions. We also maintain personally identifiable information about our employees. Any virus, security breach, loss, or theft of company, customer or employee data could expose us to adverse publicity, loss of sales and profits, or cause us to incur significant costs to reimburse third parties for damages, which could impact our business, results of operations or financial condition.

***Disruption or non-renewal of our relationship with our key suppliers could materially adversely affect our business, results of operations or financial condition.***

We have supply relationships for certain of our concessions products including soft drinks, popcorn and confectionery, as well as for certain technologies for our cinemas. If any of our key relationships were changed or terminated for any reason, including due to termination arising from a change of control event or as a result of any disagreement, we could be forced to negotiate a number of substitute arrangements with alternative vendors which may be on terms less favorable to us.

Our agreements with our suppliers often provide that they may raise supply costs through the term of the agreements. Our margins on concessions and other revenue may thus decline to the extent we are unable to pass on increases in our costs to our customers at a rate at or near the rate of cost increases, which may adversely affect our business, results of operations and financial condition.



***Potential liabilities arising from theft, misuse or loss of film reels, digital hard drives or other delivery methods could adversely affect our business, results of operations or financial condition.***

We do not own the intellectual property rights for the films which are stored on the film reels, digital hard drives or other delivery methods which we use in our cinemas. As a result, a breach of security, employee fraud or technical failure which results in the theft, misuse or loss of a film reel, digital hard drive or other delivery method, as well as the contents therein, could make us vulnerable to liability for theft of film content, and consequently, to claims for damages by film distributors for such theft, misuse or loss.

***Changes in privacy laws could adversely affect our ability to market our products effectively.***

Our cinemas rely on a variety of direct marketing techniques, including email marketing. Any expansion of existing or new laws and regulations regarding marketing, solicitation or data protection could adversely affect the continuing effectiveness of our email and other marketing techniques and could result in changes to our marketing strategy. If this occurs, we may not be able to develop adequate alternative marketing strategies, which could adversely impact our admissions levels and adversely affect our business, results of operations and financial condition.

***We participate in industry-wide agreements over which we do not have sole control and the loss of which or change in terms of which could affect our business, results of operations or financial condition.***

In the United Kingdom, we participate in the "Orange Wednesday" agreement which is an agreement among mobile network operator Orange, The Film Distributors' Association and The Cinema Exhibitors' Association for a 2-for-1 ticket promotion for Orange customers which operates on Wednesdays in the United Kingdom. "Orange Wednesday" is an industry-wide promotion involving an agreement between multiple parties with differing views, and as such, we have limited ability to influence the terms of the agreement. Our admissions associated with "Orange Wednesday" are significant, as Wednesdays are typically our second busiest day of the week, as a result of this promotion. The current UK contract expires on February 28, 2015, and the failure of industry partners to secure a replacement agreement, or any new arrangement on different terms, could affect our admissions levels which could adversely affect our business, results of operations or financial condition.

***General political, social and economic conditions can reduce admissions, profitability and results of operations at our cinemas.***

Our success depends on general political, social and economic conditions and the willingness of consumers to spend discretionary funds on leisure activities. Our customers may have less money for discretionary purchases because of negative economic conditions such as job losses, foreclosures, bankruptcies, sharply falling house prices, reduced availability of credit and other matters, resulting in a decrease in consumer spending or causing consumers to shift their spending to alternative forms of entertainment. Although GBOR has been relatively unaffected by the economic downturn, if going to the cinema becomes less popular or consumers spend less on retail products or concessions, our operations could be adversely affected. Additionally, as our customers generally live within a convenient travelling distance to our cinemas, an economic downturn that is particular to a region in which our cinemas are located may have a disproportionately negative impact on our cinemas in the affected market.

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

Our reporting currency is in pounds sterling, but the results of operations and the financial position of our operations in Ireland and Germany and, after the completion of The Space Acquisition, Italy are reported in euros, and our operations in Denmark are transacted in Danish krone and then translated into euros for reporting purposes. Our operations in Taiwan are reported in Taiwanese new dollars, and our operations in Poland, Latvia and Lithuania are transacted in Polish zloty, Latvian lats and Lithuanian litas, respectively, with the Latvian and Lithuanian results being translated into Polish zloty for reporting purposes. The results of operations across our markets are then, and will be, translated into pounds sterling at the applicable exchange rates for inclusion in our Consolidated Financial Statements. Our financial results are, thus, impacted primarily by currency fluctuations between pounds sterling and the euro and, to a lesser extent, between the pounds sterling and the Polish zloty. Our financial results may also be affected by currency fluctuations between the Polish zloty and each of the Latvian lat and Lithuanian lita, between the euro and the Danish krone and between the pounds sterling and Taiwanese new dollar. Moreover, a change in the concentration of our business activities could result in an increased effect of exchange rates on our financial



position and results of operations. As our business continues to grow in markets outside of the United Kingdom, it exacerbates this risk. We do not currently hedge against foreign currency exchange rate risk. Instead, we currently hedge against currency risk, generally, by keeping our debt and earnings in proportion to their respective currencies, in the case of the United Kingdom and the euro-denominated markets. We do not hedge against currency risk with respect to our remaining operations. There is no assurance that we will, in the future, be successful in any hedging of our currency risk.

***We may be subject to liability under laws and regulations in the jurisdictions in which we operate, including environmental laws and regulations.***

We own and operate cinemas in the United Kingdom, Germany, Poland, Denmark, Latvia, Lithuania, Ireland, Taiwan and, upon completion of The Space Acquisition, Italy. We are and expect to be subject to the laws and regulations of these jurisdictions, including environmental laws and laws governing the cleanup of hazardous materials and the management of properties. In the future, we may operate in additional territories and be subject to additional laws and regulations. We might in the future be required to participate in the cleanup of a property that we own or lease, or at which we have been alleged to have disposed of hazardous materials from one of our cinemas. In certain circumstances, we might be solely responsible for any such liability under environmental laws, and such claims could be material.

***The impairment or insolvency of certain financial institutions could adversely affect us.***

We have exposure to different counterparties with regard to our interest rate swap agreements. These transactions expose us to credit risk in the event of a default by one or more of our counterparties to such agreements. We also have exposure to financial institutions used as depositories of our corporate cash balances. If our counterparties or financial institutions become impaired or insolvent, this could have an adverse impact on our results of operations or impair our ability to access our cash.

***We are subject to taxation which is complex and often requires us to make subjective determinations.***

We are subject to many different forms of taxation including but not limited to income tax, withholding tax, value added tax, stamp duty and social security and other payroll related taxes. Tax law and administration is complex and often requires us to make subjective determinations. The tax authorities may not agree with the determinations that are made by us with respect to the application of tax law. Such disagreements could result in lengthy legal disputes and, ultimately, in the payment of substantial amounts for tax, interest and penalties, which could have a material effect on our business, results of operations or financial condition. The Space is currently subject to ongoing tax proceedings in Italy relating to alleged improper use of Article 8 tax credits, with a potential exposure of €11.8 million, as of July 30, 2014, in addition to interest and penalties. Under The Space Acquisition Agreement, one of the sellers has provided an uncapped indemnity to the Issuer to cover any liabilities relating to this tax proceeding. If The Space is not successful in this proceeding, or if it is subject to additional fines and penalties, and if we are unable to fully recover under the indemnity, we could experience a material effect on our business, results of operations or financial condition.

***Potential liabilities and costs from litigation could adversely affect our business.***

We have, in the past, and may, in the future, be involved in litigation and regulatory actions as part of our ordinary course of business. As part of the proposed The Space Acquisition, we will indirectly become a party to some ongoing litigation to which The Space is a party, including tax proceedings and employment litigation, and we cannot fully predict the outcome of any such litigation. See “*The Transactions — The Space Acquisition*” and “*Business — Litigation*”.

There is no guarantee that we will be successful in defending against civil suits. Even if a civil litigation claim is meritless, does not prevail or is not pursued, any negative publicity surrounding assertions against our cinemas could adversely affect our reputation. Regardless of its outcome, litigation may result in substantial costs and expenses and divert the attention of our management. In addition to pending matters, future litigation could lead to increased costs or interruption of our normal business operations. In addition, there may be health risks of which we are not yet aware related to new technologies such as 3D which we use in our cinemas, which could lead to potential litigation in the future. See “*Business — Litigation*”.

## **Risks Relating to Our Financial Profile**

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

We are, and following the issuance of the Original Notes and the Additional Notes, will continue to be, highly leveraged. As of August 28, 2014, on a *pro forma* basis for the Transactions, the Issuer would have had approximately £583.5 million of third party borrowings (which includes capitalized issue cost), of which approximately £586.3 million would have been represented by the Notes. See "*Capitalization*."

The degree to which we will remain leveraged following the issuance of the Additional Notes could have important consequences to holders of the Notes offered hereby, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes or other indebtedness;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the repayment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow, and limiting the ability to obtain additional financing to fund working capital, capital expenditures, acquisitions, joint ventures, or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate; and
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged.

The occurrence of any of these events could have a material adverse effect on our business, financial condition, results of operations, prospects and ability to satisfy our obligations under the Notes.

We and our subsidiaries may incur substantial additional indebtedness in the future, including in connection with any future acquisition. Although the Indenture and the Revolving Credit Facility Agreement contain restrictions governing the incurrence of additional indebtedness, the restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If we or our subsidiaries incur new debt or other obligations, the related risks that we now face, as described elsewhere in these "*Risk Factors*," could intensify.

For further information regarding our substantial leverage and for more information about our outstanding indebtedness, see also "*Description of the Notes*" and "*Description of Certain Financing Arrangements*."

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

The Revolving Credit Facility Agreement and the Indenture contain covenants, which restrict, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of such entity;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to such entity;
- 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 interest for the benefit of the holders of the Notes.

All of these limitations are subject to significant exceptions and qualifications. See “Description of the Notes — Certain Covenants” and “Description of Certain Financing Arrangements — Revolving Credit Facility — Covenants — Negative covenants.” The covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. The restrictions contained in the Revolving Credit Facility Agreement and the Indenture could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance our capital needs.

***We may incur additional indebtedness, including at the level of our subsidiaries, which could increase our risk exposure from debt and could decrease your share in any proceeds.***

Subject to restrictions in the Indenture and the Revolving Credit Facility Agreement, we may incur additional indebtedness, which could increase the risks associated with our already substantial indebtedness. We have the ability to borrow up to £50 million under our Revolving Credit Facility and any borrowings under our Revolving Credit Facility will be senior secured indebtedness, and will receive proceeds from an enforcement action on the Collateral prior to the Notes. As of August 28, 2014, we had drawn £4 million under our Revolving Credit Facility.

Our subsidiaries may also be able to incur substantial indebtedness in the future, further increasing the risks associated with our substantial leverage. Any indebtedness that we incur at a non-Guarantor subsidiary level would be structurally senior to the Notes. Additionally, we could raise additional debt that could be secured or could mature prior to the Notes. Although the Indenture and the Revolving Credit Facility Agreement contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with those restrictions could be substantial. In addition, the Indenture and the Revolving Credit Facility Agreement will not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

***We require a significant amount of cash to service our debt and sustain our operations. Our ability to generate sufficient cash depends on many factors beyond our control, and we may be forced to take other actions to satisfy our debt obligations, which may not always be successful.***

Our ability to make payments on and to refinance our debt, and to fund working capital and capital expenditures, will depend on our future operating performance and ability to generate sufficient cash. This depends, to some extent, on the success of our business strategy and on general economic, financial, competitive, market, legislative, regulatory and other factors, as well as the other factors discussed in these “Risk Factors,” many of which are beyond our control.

Our business may not generate sufficient cash flow from operations or that future debt and equity financing may not be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs including the repayment of any and all amounts outstanding under the Revolving Credit Facility, including £4.6 million drawn in connection with the Transactions.

If our future cash flow from operations and other capital resources (including borrowings under the Revolving Credit Facility) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

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

We may be unable to accomplish any of these alternatives on a timely basis or on commercially reasonable terms, if at all. In particular, our ability to restructure or refinance our debt will depend in part on our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business, financial condition and results of operations. 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

unable to satisfy our obligations through alternative financing, we may not be able to satisfy our debt obligations, including under the Notes. In that event, borrowings under other debt agreements or instruments that contain cross acceleration or cross default provisions, including the Notes and the Revolving Credit Facility, may become payable on demand, and we may not have sufficient funds to repay all our debts, including the Notes.

Any failure to make payments on the Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Notes, the Revolving Credit Facility and any future debt may limit our ability to pursue any of these alternatives. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our debt, including under the Indenture, restrict our ability to transfer or sell assets. In addition, any assets which we could be required to dispose of may not be sold and that, if sold, the timing of such sale and the amount of proceeds realized from such sale may not be acceptable. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations.

***Certain of our borrowings bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow.***

A part of our indebtedness, including borrowings under the Original Floating Rate Notes, the Additional Notes and the Revolving Credit Facility, bears interest at per annum rates equal to the Euro Interbank Offered Rate ("EURIBOR"), in each case adjusted periodically, plus a spread. These interest rates could rise significantly in the future, thereby increasing our interest expenses associated with these obligations, reducing cash flow available for capital expenditures and hindering our ability to make payments on the Notes. Although we may enter into certain hedging arrangements designed to fix a portion of these rates, hedging may not be available or continue to be available on commercially reasonable terms.

**Risks Relating to the Notes and the Guarantees**

***Creditors under the Revolving Credit Facility, certain hedging arrangements and certain debt that we may incur in the future will be entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes.***

The Original Notes are, and the Additional Notes will, as far as is possible under law, be secured by the same Collateral that will secure on a first-ranking basis our obligations under the Revolving Credit Facility and certain hedging obligations. The Indenture also permits the same Collateral to be pledged on a *pari passu* basis with the Notes, to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement. The Indenture and the Intercreditor Agreement may limit the amount of hedging that can be "super-priority" hedging.

In the event of enforcement of the Collateral securing the Notes, pursuant to the Intercreditor Agreement, the liabilities under the Revolving Credit Facility Agreement and certain hedging obligations, as well as certain future indebtedness permitted to be incurred in accordance with the Indenture will have priority over any amounts received from the sale of the Collateral pursuant to an enforcement action taken with respect to such Collateral. Additionally, certain liabilities or obligations may have priority over or rank *pari passu* in respect of any amounts received from the sale of the Collateral due to the rules of the applicable laws (including, without limitation, costs of enforcement actions, tax liabilities, liabilities to employees of a bankrupt entity). In the event of a foreclosure of the Collateral, you may not be able to recover on such Collateral if the then outstanding claims under the Revolving Credit Facility Agreement and such amounts in respect of such hedging obligations and any other "super-priority" indebtedness are greater than the proceeds realized. In addition, any proceeds from an enforcement sale of the Collateral by any creditor will, after all obligations under the Revolving Credit Facility Agreement and such amounts in respect of such hedging obligations and other "super-priority" indebtedness have been discharged from such recoveries, be applied pro rata in repayment of any other obligations secured by such Collateral. Such additional indebtedness secured by the Collateral may be significant. As a result, holders of Notes may receive less, ratably, than holders of other secured indebtedness.

***The holders of the Notes may not control certain decisions regarding the Collateral.***

Pursuant to the voting provisions set forth in the Intercreditor Agreement, the lenders under the Revolving Credit Facility Agreement and counterparties to certain hedging agreements (the "Super Senior Creditors") have effective control with respect to the Collateral. The Intercreditor Agreement provides that a

common security agent serves as Security Agent for the secured parties under the Revolving Credit Facility and the Notes with respect to the shared Collateral. In the event that the shared Collateral has become enforceable, the Security Agent shall enforce or refrain from enforcing such Collateral on the instructions of (a) the majority (more than 66⅔% by value) of the Super Senior Creditors and (b) the majority (more than 50% by value) of the holder of the Notes and other *pari passu* creditors (if any).

However disputes may occur between the holders of the Notes and lenders under the Revolving Credit Facility as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the shared Collateral. If the Security Agent receives conflicting instructions from the majority Super Senior Creditors and from the holders of the Notes and the *pari passu* creditors, then, to the extent instructions from the holders of the Notes and the *pari passu* creditors are given in accordance with the Intercreditor Agreement, the Security Agent will comply with such instructions, provided that, if the liabilities owed to the Super Senior Creditors have not been fully and finally discharged in cash within six months of the relevant proposed enforcement instruction date or if no enforcement has occurred within three months of the relevant proposed enforcement instruction date, the instructions of the majority Super Senior Creditors will prevail.

The creditors under our Revolving Credit Facility may have interests that are different from the interests of holders of the Notes and they may elect to pursue their remedies in respect of the shared Collateral at a time and in a manner which would otherwise be disadvantageous for the holders of the Notes to do so.

In addition, if the Security Agent sells Collateral comprising the shares of the Company or the shares of any of our subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes and the Guarantees and the liens over any other assets securing the Notes and the Guarantees may be released. See *"Description of Certain Financing Arrangements — Intercreditor Agreement"* and *"Description of the Notes — Collateral — Release of the Collateral."*

***The holders of the Notes may be limited in their ability to take enforcement action in respect of the Collateral.***

The security interests in the Collateral that secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Guarantees with respect to the Original Notes are not granted to the holders of the Original Notes and will secure the obligations of the Issuer under the Additional Notes and the obligations of the Guarantors under the Guarantees with respect to the Additional Notes will not be granted directly to the holders of the Additional Notes, but have been or will be granted only in favor of the Security Agent. The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by applicable law, only the Security Agent has the right to enforce the Security Documents relating to the Collateral on behalf of the Trustee and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not have direct security interests in the Collateral and be barred from taking enforcement action in respect of the Collateral securing the Notes, except through the Trustee who will (subject to the provisions of such Indenture) provide instructions to the Security Agent.

In addition, the ability of the Security Agent to enforce the security interests is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Collateral are taken. For example, the laws of certain jurisdictions may not allow for the appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Notes that are not identified as registered holders in a security document will be validly secured.

With respect to the laws and other jurisprudence governing the creation and perfection of security interests and the enforceability of such security interests in certain jurisdictions, including Germany, the Intercreditor Agreement provides for the creation of "parallel debt" obligations in favor of the Security Agent ("Parallel Debt") mirroring the obligations of the Issuer and the Guarantors towards holders of the Notes under or in connection with the Indenture ("Principal Obligations"). The pledges in such jurisdictions are granted to the Security Agent as security interests for the Parallel Debt and will not directly secure the Principal Obligations. The Parallel Debt will be at all times 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. In respect of the security interests granted to secure the Parallel Debt, the holders of the Original Notes do not, and the holders of the Additional Notes will not have direct security interests and will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent. Therefore, the holders of the Notes will bear the risk of insolvency or bankruptcy of the Security



Agent. In addition, the Parallel Debt construct has not been tested under law in certain of these jurisdictions and to the extent that the security interests in the Collateral created under the Parallel Debt construct are not validly granted or are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of such security interests in the Collateral.

***The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations under the Notes.***

The Collateral secures on a first-ranking basis our obligations under the Revolving Credit Facility, the Notes and certain hedge agreements. The Collateral may also secure additional debt to the extent permitted by the terms of the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement. The rights of holders of the Notes to the Collateral may be diluted by any increase in the first-ranking debt secured by the Collateral.

The value of the Collateral and the amount to be received upon an enforcement of such Collateral will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, whether or not the business is sold as a going concern, general economic conditions of and the availability of buyers. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, there may not be a market for the sale of the Collateral, or, if such a market exists, there may be a substantial delay in its liquidation. In addition, the pledges, shares and ownership interests of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding. Furthermore, under Polish law the bankruptcy receiver may prohibit a separate enforcement and sale of the Collateral by a secured creditor and instead it may opt for the sale of the whole bankruptcy estate (as going concern), including the Collateral, if the receiver considers such sale as more commercially beneficial.

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

The Security Documents 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, certain of the Collateral. So long as no default or event of default under the Indenture would result therefrom, the Issuer and the Guarantors, may, among other things, subject to the terms of the Security Documents, without any release or consent by the applicable Trustee or the Security Agent, conduct ordinary course activities with respect to the Collateral such as selling, modifying, factoring, abandoning or otherwise disposing of the Collateral and making ordinary course cash payments, including repayments of indebtedness. Any of these activities could reduce the value of the Collateral, which could reduce the amounts payable to you from the proceeds of any sale of the Collateral in the case of an enforcement of the liens on the Collateral.

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

The Collateral is subject to exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections permitted under the Indenture and the Intercreditor Agreement and accepted by other creditors that have the benefit of first-ranking liens in the Collateral from time to time, whether on or after the date the Additional Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens, loss of legal perfection 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 first-ranking liens can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterization under English law.

The security interests of the Security Agent are subject to practical problems generally associated with the realization of security interests in collateral. For example, the Security Agent may need to obtain the consent of a third party (including, without limitation, relevant governmental agencies, e.g., relevant competition authorities) to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consents from relevant third parties. We also cannot assure you 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.



***The rights of holders of the Notes may be adversely affected by the failure to perfect security interests in the Collateral.***

A security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The liens in the Collateral may not be perfected with respect to the claims of the Notes if we fail or the Security Agent fails or are unable to take the actions we are required to take to perfect any of these liens. In addition, English law requires that a security interest over certain property and rights acquired after the grant of a general security interest, such as real property, equipment subject to a certificate and certain proceeds, can only be perfected at or promptly following the time such property and rights are acquired and identified.

The Trustee and the Security Agent will not monitor, and we may not comply with our obligations to inform the Trustee or Security Agent of, any future acquisition of property and rights by us, and the necessary action may not be taken to properly perfect the security interest in such after acquired property or rights. Such failure may result in the invalidity of the relevant security interest in the Collateral 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.

***The granting of the security interests in connection with the issuance of the Notes or the incurrence of permitted debt in the future may create or restart hardening periods.***

The granting of security interests to secure the Notes and the Guarantees may create hardening periods for such security interests in certain jurisdictions. The granting of shared security interests to secure future indebtedness permitted to be secured on the Collateral may restart or reopen such hardening periods in particular, as the Indenture will permit the release and retaking of security granted in favor of, *inter alia*, the Notes in certain circumstances including in connection with the incurrence of future indebtedness. The applicable hardening period for these new security interests can run from the moment each new security interest has been granted, perfected or recreated. At each time, if the security interest granted, perfected or re-created were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it.

Any security interest in Collateral delivered in circumstances where there was not a clear corporate benefit to the grantor in providing the security interest would face a greater risk of being avoided by the grantor or by its trustee, receiver, liquidator, administrator or similar authority, or otherwise set aside by a court, than security interests provided in circumstances where there was a clear corporate benefit to the grantor in doing so. To the extent that the grant of any security interest is voided, holders of the Notes would lose the benefit of the security interest. See *"Limitations on Validity and Enforceability of the Guarantees and the Collateral and Certain Insolvency Law Considerations."* The same rights and risks also will apply with respect to future security interests granted in connection with the accession of further subsidiaries as additional Guarantors and the granting of security interests over their relevant assets and equity interests for the benefit of holders of the Notes. See *"Description of the Notes — Collateral."*

There are circumstances other than repayment or discharge of the Notes under which the applicable Collateral or Guarantees will be released automatically without your consent or the consent of the Trustee.

Under various circumstances, the Collateral will be released automatically, including:

- in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets (including capital stock of Subsidiaries) to a Person that is not (either before or after giving effect to such transaction) the Issuer or any of its Restricted Subsidiaries, if the sale or other disposition does not violate the "Asset Sale" provisions of the Indenture;
- in connection with any sale, transfer or other disposition of capital stock of that Guarantor or any holding company of such Guarantor to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if the sale, transfer or other disposition does not violate the "Asset Sale" provisions of the Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale, transfer or other disposition;
- in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets of such Guarantor;
- if the Company designates any Restricted Subsidiary to be an Unrestricted Subsidiary (as defined in *"Description of the Notes"*) in accordance with the provisions of the Indenture, the release of the property and assets, and capital stock, of such Unrestricted Subsidiary;

- as described under the caption *"Description of the Notes — Amendment, Supplement and Waiver;"*
- in accordance with the covenant described under *"Description of the Notes — Certain Covenants — Impairment of Security Interest;"* and
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the captions *"Description of the Notes — Legal Defeasance and Covenant Defeasance"* and *"Description of the Notes — Satisfaction and Discharge;"*
- as permitted by the Intercreditor Agreement, the Warner Village Intercreditor Agreement and any Additional Intercreditor Agreement;
- upon a release of the Lien that resulted in the creation of the Lien under the covenant described under the caption *"Description of the Notes — Certain Covenants — Liens."*

In addition, under various circumstances, the Guarantees will be released automatically, including, but not limited to:

- upon a sale or other disposition of all the capital stock of the relevant Guarantor or of all or substantially all the assets of the Guarantor otherwise permitted by the Indenture;
- if the Company designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;
- pursuant to a transaction permitted by the covenant as described under *"Description of the Notes — Certain Covenants — Merger, Consolidation or Sale of Assets;"*
- as described under *"Description of the Notes — Amendment, Supplement and Waiver;"*
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under *"Description of the Notes — Legal Defeasance and Covenant Defeasance"* and *"Description of the Notes — Satisfaction and Discharge;"*

See *"Description of Certain Financing Arrangements — Intercreditor Agreement"* and *"Description of the Notes."*

***The Issuer is a holding company dependent upon cash flows from its subsidiaries to meet its obligations 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 its subsidiaries. Payment of interest and repayment of our indebtedness, including under the Notes, will be wholly dependent on the ability of our subsidiaries to make such cash available to us, by either dividend distributions or intercompany loans, or both. Our subsidiaries may not be able to, or may be restricted by the terms of their existing or future indebtedness or by law, in their ability to make such dividend distributions or advance upstream loans to enable us to make payments in respect of our indebtedness, including the Notes. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries.

While the Indenture and the Revolving Credit Facility Agreement limit the ability of our subsidiaries to incur contractual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to certain significant qualifications and exceptions. We cannot assure you that 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. 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 controlling shareholders may be inconsistent with the interests of holders of Notes.***

The interests of our principal shareholders, in certain circumstances, may conflict with your interests as holders of the Additional Notes. Our principal shareholders have, and will continue to have, directly or indirectly, the power, among other things, to affect our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve any other changes to

our operations. For example, our principal shareholders could vote to cause us to incur additional indebtedness, to sell certain material assets or make dividends distributions, in each case, so long as the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement so permit. The interests of our principal shareholders could conflict with interests of holders of Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our principal shareholders could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments although such transactions might involve risks to the holders of Notes. In addition, our principal shareholders may come to own businesses that directly compete with our business.

***We may not have the ability to raise the funds necessary to finance a change of control offer.***

Upon the occurrence of certain events constituting a change of control (as defined in the Indenture), 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, if any, to the date of purchase. If a change of control were to occur, we cannot assure you that the Issuer would have sufficient funds available at such time to pay the purchase price of the outstanding Notes or that the restrictions in the Revolving Credit Facility Agreement, the Intercreditor Agreement or our other then-existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default and/or mandatory prepayment obligation under, or acceleration of, our Revolving Credit Facility, the Notes and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under the Revolving Credit Facility Agreement and other indebtedness, even if the change of control itself does not. The ability of the Issuer to receive cash from its subsidiaries to allow it to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when our subsidiaries are prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, our subsidiaries may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third party financing to make an offer to repurchase the Notes upon a change of control. We cannot assure you that we would be able to obtain such financing. Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture which would, in turn, constitute a default under the Revolving Credit Facility Agreement, the Indenture and certain other indebtedness. See *"Description of the Notes — Change of Control."*

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

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

***The Original Notes are and the Additional Notes will be structurally subordinated to the creditors of non-Guarantor subsidiaries.***

Not all of our subsidiaries guarantee the Original Notes or will guarantee the Additional Notes. Generally, claims of creditors (both secured and unsecured) of a non-Guarantor subsidiary, including trade creditors of the subsidiary, will have priority with respect to the assets and earnings of the non-Guarantor subsidiary over the claims of creditors of its parent entity. In the event of a bankruptcy, liquidation or reorganization or other bankruptcy or insolvency proceeding of any of these non-Guarantor subsidiaries, the holders of their

indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those non Guarantor subsidiaries before any assets are made available for distribution. As a result, the holders of the Notes may receive less, on a pro rata basis, than the creditors of our non-Guarantor subsidiaries.

As of and for the 52 week period ended August 28, 2014, the Issuer and the Guarantors represented 87.4% of the Issuer's consolidated turnover, 94.6% of the Issuer's consolidated total assets and 86.2% of the Issuer's consolidated EBITDA, before taking into account The Space Acquisition. Following the completion of The Space Acquisition, The Space Bidco will become a Guarantor and will provide a share charge over its shares which are owned by Vue Entertainment Limited. None of The Space entities will be Guarantors, nor will they provide any lien to secure the obligations under the Notes. The Space Bidco is a holding company with no operating history, independent business operations or source of revenue, and its only significant asset following the completion of The Space Acquisition will be its equity interests in Capitololette S.r.l.

***Each Guarantee is subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.***

Each Guarantee provides the holders of the Notes with a direct claim against the relevant Guarantor. However, the Indenture provides that each Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor without rendering the relevant Guarantee, as it relates to that Guarantor, voidable or otherwise ineffective or limited or in breach of restrictions under applicable law, and enforcement of each Guarantee would be subject to certain generally available defenses. See *"Limitations on Validity and Enforceability of the Guarantees and the Collateral and Certain Insolvency Law Considerations."*

Enforcement of any of the Guarantees against any Guarantor will be subject to certain defenses available to or restrictions imposed on Guarantors in the relevant jurisdiction and contractual limitations reflecting such defenses or restrictions. Although laws differ among these jurisdictions, these laws and defenses generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its Guarantee 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 any Guarantee against any Guarantor.

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

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

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

The liability of each Guarantor under its Guarantee is limited to the amount that will result in such Guarantee not constituting a preference, fraudulent conveyance or improper corporate distribution or otherwise being set aside. However, it is uncertain what standard a court will apply in making a determination of the maximum liability of each Guarantor. There is a possibility that the entire Guarantee may be set aside, in which case the entire liability may be extinguished.

If a court decided that a Guarantee was a preference, fraudulent transfer or conveyance and voided such Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor under the relevant Guarantee that has not been declared void. In the event that any Guarantee is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the Guarantee obligations apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor, and if we cannot satisfy our obligations under the Notes or any Guarantee is found to be a preference, fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes.

The payment of dividends or principal and interest on the intercompany loan to the Issuer will reduce the distributable profits and reserves available to satisfy the obligations under the Guarantees and Security Documents. We are under no obligation to maintain a specific level of distributable profits and reserves, and, if we have distributable profits and reserves, we may make dividend payments or payments of principal and interest on the intercompany loan that reduce our distributable profits and reserves to zero. We intend to make dividends and enter into intercompany loans to service indebtedness and for tax planning purposes. We may not have distributable profits and reserves available to satisfy the obligations under the Guarantees and Security Documents, whether or not we distribute dividends or enter into intercompany loans. The payment of dividends or principal or interest on the intercompany loan to service our debt obligations (including under the Notes) will deplete the distributable reserves available to satisfy the obligations under the Guarantees. In addition, the payment under the Guarantees and the enforcement of security interests under the relevant Security Documents may require certain prior corporate formalities to be completed, including, but not limited to, obtaining an audit report, shareholders' resolutions and board resolutions.

***English insolvency laws and the insolvency laws of other jurisdictions may provide you with less protection than U.S. bankruptcy law.***

The Issuer and certain of the Guarantors are incorporated under the laws of England and Wales. As such, insolvency proceedings with respect to any of those entities would be likely to proceed under, and be governed by, English insolvency law. The remaining Guarantors are incorporated in Jersey, Ireland, Italy, Germany or Poland and insolvency proceedings with respect to these entities will proceed under, and be governed by Jersey, Irish, German and Polish insolvency law, as applicable. Insolvency laws in England and Wales, Jersey, Ireland, Germany or Poland may not be as favorable to your interests as creditors as are the bankruptcy laws of the United States or other jurisdictions with which investors are familiar, in particular with respect to priority of creditors, ability to obtain post-petition interest and the duration of the insolvency proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the Guarantees or the Collateral in these jurisdictions and limit any amounts that you may receive. See also "*Limitations on Validity and Enforceability of the Guarantees and the Collateral and Certain Insolvency Law Considerations*" for additional information on the insolvency laws of the European Union, England and Wales, Germany, Ireland, Jersey and Poland.

***Investors in the Notes may have limited recourse against the independent auditors.***

Please see "*Independent Auditors*" for a description of the independent auditors' reports, including language limiting the auditors' scope of duty in relation to such reports and the Consolidated Financial Statements to which they relate. In particular, the audit reports of PricewaterhouseCoopers LLP relating to the annual financial statements reproduced herein, in accordance with guidance issued by The Institute of Chartered Accountants in England and Wales, include a statement to the effect that PricewaterhouseCoopers LLP does not accept or assume responsibility for any other purpose or to anyone other than the members of VEIL, as a group, or Vougeot Bidco plc, as a Group, as applicable, for its audit reports or the opinions it has formed. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act or in a report filed under the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"). If a U.S. court (or any other court) were to give effect to this limiting language, the recourse



that investors in the Notes may have against the independent auditors based on their reports or the Consolidated Financial Statements to which they relate could be limited.

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

The Issuer and its subsidiaries are organized outside the United States, and our business is conducted entirely outside the United States. Substantially all of the directors and executive officers of the Issuer are non-residents of the United States. Although the Issuer has submitted 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 within the United States on these directors and executive officers. In addition, as all the assets of the Issuer and its subsidiaries and those of its directors and executive officers are located outside of the United States, you may be unable to enforce judgments obtained in the U.S. courts against them. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer 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 reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with England and Wales. There is, therefore, doubt as to the enforceability of civil liabilities based upon U.S. federal securities laws in an action to enforce a U.S. judgment in England and Wales. In addition, the enforcement in England and Wales 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 court in England and Wales would have the requisite power or authority to grant remedies sought in an original action brought in England and Wales on the basis of U.S. federal securities laws violations. For further information, see "Service of Process and Enforcement of Civil Liabilities."

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

One or more independent credit rating agencies may assign credit ratings to the Additional Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Additional 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 Additional Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Additional Notes.

***Certain covenants may be suspended upon the occurrence of a change in the Group's ratings.***

The Indenture provides that, if at any time following July 18, 2013, the Notes receive a rating of Baa3 or better by Moody's and a rating of BBB or better by S&P and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time, if any, at which such Notes cease to have such ratings, certain covenants will cease to be applicable to such Notes. See "Description of the Notes — Certain Covenants — Suspension of Covenants When Notes Rated Investment Grade." If these covenants were to cease to be applicable, the Group would be able to incur additional debt or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. The Notes may not ever achieve an investment grade rating or that any such rating will be maintained.

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

Unless and until the Additional Notes are in definitive registered form, or definitive registered notes are issued in exchange for book-entry interests (which may occur only in very limited circumstances), owners of book-entry interests will not be considered owners or holders of Additional Notes. The nominee of the common depository for Euroclear and Clearstream will be the sole registered holder of the global notes. Payments of principal, interest and other amounts owing on or in respect of the relevant global notes representing the Notes will be made to The Bank of New York Mellon, London Branch, as paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depository for Euroclear and Clearstream,



we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book entry interest in the Additional Notes, you must rely on the procedures of Euroclear and Clearstream and if you are not a participant in Euroclear and/or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Additional Notes under the Indenture.

Unlike the holders of the Additional Notes themselves, owners of book-entry interests will not have any direct rights to act upon any solicitations for consents, requests for waivers or other actions from holders of the Additional Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. Procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on any matters or on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until the relevant definitive registered Notes are issued in respect of all book-entry interests, if you own a book entry interest, you will be restricted to acting through Euroclear and Clearstream. We cannot assure you that the procedures to be implemented through Euroclear and Clearstream will be adequate to ensure the timely exercise of rights under the Additional Notes.

***The transfer of the Additional Notes is restricted, which may adversely affect their liquidity and value.***

The Additional Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or any other jurisdiction. The Additional Notes are not being offered for sale in the United States except to “qualified institutional buyers” in accordance with Rule 144A. See “*Notice to Prospective Investors.*” We have not agreed to or otherwise undertaken to register the Additional Notes with the U.S. Securities and Exchange Commission (including by way of an exchange offer). It is the obligation of holders of Additional Notes to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws.

***Provisions of the EU Savings Directive and other legislation may adversely affect your investment in the Notes.***

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On March 24, 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from January 1, 2017. The change will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. During that transitional period, withholding will not apply under the Directive to a payment if the beneficial owner of the payment authorizes exchange of information instead. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favor of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, no Additional Amounts would be payable as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

***There may be no active trading market for the Additional Notes and if one develops, it may not be liquid.***

We cannot assure you as to:

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

Future trading prices for the Notes will depend on many factors, including:

- the operating performance and financial condition of VEIL and the Issuer;
- the interest of securities dealers in making a market; and
- the market for securities.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market, if any, for the Additional Notes may be subject to similar disruptions. Any such disruptions may adversely affect the value of the Additional Notes and may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your Additional Notes at a fair value, if at all. Although an application has been made for the Additional Notes to be listed on the Official List of the Irish Stock Exchange and to be admitted to trading on the Global Exchange Market thereof, we cannot assure you that the Notes will become or remain listed. Although no assurance is made as to the liquidity of the Additional Notes as a result of the admission to trading on the Global Exchange Market, failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Additional Notes, as applicable, from the Official List of the Irish Stock Exchange may have a material effect on a holder's ability to resell the Additional Notes, as applicable, in the secondary market.

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

The Notes will be denominated and payable in euros. If you measure your investment returns by reference to a currency other than euros, an investment in the Additional Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which you measure the return on your investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the Additional Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments. There may be tax consequences for you as a result of any foreign exchange gains resulting from an investment in the Additional Notes. You should consult your tax advisor concerning the tax consequences to you of acquiring, holding and disposing of the Notes. See "*Certain Tax Considerations*."

***Holders of the Additional Notes will be subject to tax on original issue discount before receiving the cash payments attributable to such income.***

The Additional Notes will be issued with original issue discount ("OID") for U.S. federal income tax purposes. A holder subject to U.S. federal income tax will generally be required to include any OID in gross income (as ordinary income) on a constant yield to maturity basis in advance of the receipt of cash payments to which such income is attributable and regardless of such holder's method of accounting for U.S. federal income tax purposes. See "*Certain United States Federal Income Tax Consequences*". Additional Notes offered hereby will trade separately under different ISIN numbers than the corresponding Original Floating Rate Notes.

## THE TRANSACTIONS

### ***The Space Acquisition***

On October 16, 2014, the Issuer entered into The Space Acquisition Agreement to acquire, directly and indirectly, the entire corporate capital of Capitololette, from RTI and 21 Investimenti, on behalf of Fondo 21 Investimenti II, and to acquire the shares in The Space Entertainment S.p.A. held by Mr. Corrado and Mr. Canepa. The seven subsidiaries of The Space Entertainment S.p.A. and Capitololette manage and operate a circuit of 36 multiplex cinemas in Italy.

The Space Acquisition Agreement requires the Sellers to provide assistance procuring the repayment of the outstanding amount of certain of the existing bank facilities to which the subsidiaries of The Space Entertainment S.p.A. and Capitololette, are party. We will use a portion of the proceeds of this Offering to repay amounts outstanding under these loan agreements.

In addition to a fixed amount purchase price of €81.7 million, or approximately £65.0 million, The Space Acquisition Agreement also includes two earn-out mechanisms that provide for aggregate payments up to a maximum amount of €20.0 million. One earn-out is calculated on the basis of market admissions in 2015 and is likely to be paid, if at all, in 2016, and in any event no earlier than early 2016. The other earn-out is calculated on the basis of advertising revenues in 2015 and is likely to be paid, if at all, in early 2017, and in any event no earlier than 2016.

There are also various pass-through elements that are tied to the receipt of certain tax credits by The Space. These items will be passed through to the Sellers, with a cash-neutral effect on the Group.

Pursuant to The Space Acquisition Agreement, RTI has undertaken to provide, on completion of The Space Acquisition, a full indemnity to the Issuer to cover any liabilities resulting from certain tax proceedings with the Italian tax authority (*Agenzia delle Entrate*), and the Sellers have provided under the Space Acquisition Agreement an indemnity to the Issuer to cover any liabilities (up to €300,000) resulting from certain employment litigation to which the subsidiaries of The Space Entertainment S.p.A. are party.

The completion of The Space Acquisition is not subject to any conditions precedent pursuant to The Space Acquisition Agreement. The Space Acquisition must be completed by November 25, 2014, although the Issuer may elect to complete The Space Acquisition at an earlier date of its choosing, provided it gives at least five business days' notice to the Sellers, or at such other date as may be agreed in writing by the Issuer and the Sellers.

### ***The Financing***

The Space Acquisition will be financed with the proceeds from the Offering, drawings from the Revolving Credit Facility and the New Issuer Loan. The New Issuer Loan is funded by the repayment of £38.0 million to the AIMCo Entities and OMERS Entities in respect of the Bridge Loan Notes that were issued to them by Finco, as described below. See "*Use of Proceeds*".

Due to the timing of certain legal procedures relating to the Squeeze Out and the German Company Conversion, £34.1 million of the German Restricted Cash was retained in CinemaxX AG (which has since been converted to a *Gesellschaft mit beschränkter Haftung*) at the original Vue Acquisition Date; consequently Midco lent £34.1 million to the Issuer pursuant to the Bridge Loan Agreement. The proceeds that Midco lent to the Issuer pursuant to the Bridge Loan Agreement were advanced to Midco from Finco pursuant to an intercompany loan in connection with the issuance of the Bridge Loan Notes. The Bridge Loan Notes are 11% fixed rate unsecured notes issued by Finco to the AIMCo Entities and OMERS Entities. As of 28 August 2014, the principal and accrued interest on the Bridge Loan Notes was £38.1 million. The Intercreditor Agreement and Indenture permits payments to be made by the Issuer in respect of the Bridge Loan to the extent such payments are permitted or not prohibited under the RCF Facility Agreement and the Indenture, subject to a maximum payment of £38.0 million for principal and accrued interest.

As part of the Transactions, the initial Bridge Loan amounting to £34.1 million will be repaid by the previously restricted German Restricted Cash, and interest on the Bridge Loans amounting to £3.9 million will be repaid using internally generated funds. After this repayment an as-adjusted Bridge Loan balance of £89,000 will remain outstanding as of August 28, 2014. The amount of £38.0 million that will have been repaid to the AIMCo Entities and OMERS Entities, pursuant to repayment of the Bridge Loan Notes, will be reinvested by these entities as a New Issuer Loan to fund The Space Acquisition. See "*Certain Relationships and Related Party Transactions — Bridge Loan and — New Issuer Loan.*"

As part of the Transactions, in addition to the drawings to a partially finance the acquisition (see "*Use of Proceeds*"), we may draw under the Revolving Credit Facility to manage seasonal working capital requirements which are expected to reverse in the fourth quarter of 2014. The amount drawn under the Revolving Credit Facility will change depending on the level of cash and debt at the closing of The Space Acquisition, which is due to take place before or on November 25, 2014, pursuant to The Space Acquisition Agreement. See "*— The Space Acquisition*".

## USE OF PROCEEDS

We expect the gross proceeds from the Offering will be £55.7 million.

The estimated sources and uses of the funds necessary to complete The Space Acquisition are shown in the below table as if they had occurred as of August 28, 2014. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimate of existing cash in the business, our estimates of the cost of repaying certain of the existing bank facilities described below and differences from our estimates of transaction fees and expenses.

<b>Sources of funds</b>	<b>(£ in thousands)</b>	<b>Uses of funds</b>	<b>(£ in thousands)</b>
Cash <sup>(1)</sup> . . . . .	<u>38,000</u>	Repayment of Bridge Loan <sup>(1)</sup> . . . .	<u>38,000</u>
Additional Notes <sup>(2)</sup> . . . . .	55,653	The Space Acquisition purchase price <sup>(3)</sup> . . . . .	64,981
Drawings under existing Revolving Credit Facility <sup>(4)</sup> . . . . .	4,588	Repayment of certain existing bank facilities <sup>(5)</sup> . . . . .	26,701
New Issuer Loan <sup>(6)</sup> . . . . .	<u>38,000</u>	Estimated transaction fees and expenses <sup>(7)</sup> . . . . .	<u>6,559</u>
<b>Total sources</b> . . . . .	<b><u>98,241</u></b>	<b>Total uses</b> . . . . .	<b><u>98,241</u></b>

- (1) As part of the Transactions, £38.0 million of the Bridge Loan represented by the outstanding Bridge Loan Notes will be repaid by the previously restricted German Restricted Cash, and interest on the Bridge Loans amounting to £3.9 million will be repaid using internally generated funds. See *"The Transactions — The Financing"*.
- (2) The aggregate principal amount of the Additional Notes has been translated into pounds sterling at an exchange rate of €1.2578 per £1.00 based on the Bloomberg rate on August 28, 2014.
- (3) Represents the fixed portion of the purchase price on the closing date of The Space Acquisition, as set forth in The Space Acquisition Agreement and has been translated into pounds sterling at an exchange rate of €1.2578 per £1.00 based on the Bloomberg rate on August 28, 2014. See *"The Transactions — The Financing"*.
- (4) Represents our current estimate of new drawings under the Revolving Credit Facility. Actual drawings under the Revolving Credit Facility may vary from the figure presented, according to seasonal working capital requirements.
- (5) Represents the estimated repayment of certain of The Space's existing banking facilities, net of cash (excluding cash in transit and cash in tills).
- (6) The New Issuer Loan will be funded by the repayment of £38.0 million to the AIMCo Entities and OMERS Entities in respect of the Bridge Loan Notes that were issued to them by Finco. See *"The Transactions — The Financing"* and *"Certain Relationships and Related Party Transactions — Bridge Loan and — Issuer Loan and New Issuer Loan"* for further information.
- (7) Represents the estimated transaction fees and expenses, including fees and commissions, financing fees, advisory fees, other transaction costs, professional fees and the 2.5% original issue discount of the Additional Notes. This amount includes fees and expenses of £3.3 million relating to the issue of the Additional Notes.

## CAPITALIZATION

The following table sets out the Issuer's consolidated cash at bank and in hand and capitalization as of August 28, 2014 on an actual basis and on an adjusted basis to give effect to the Transactions as if they had occurred on August 28, 2014.

You should read the following table in conjunction with "Selected Historical Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," our Consolidated Financial Statements and related notes and the unaudited *pro forma* combined financial information and notes thereto included elsewhere in this offering memorandum.

	As of August 28, 2014	
	Actual	As Adjusted
	(unaudited)	
	(£ in thousands)	
<b>Cash at bank and in hand (excluding restricted cash)<sup>(1)</sup></b>	<b>48,751</b>	<b>10,751</b>
<b>Third party borrowings</b>		
Original Floating Rate Notes and Additional Notes <sup>(2)</sup>	230,655	286,308
Original Fixed Rate Notes <sup>(3)</sup>	300,000	300,000
Capitalized issue costs <sup>(4)</sup>	(13,453)	(16,787)
External loans	584	584
Revolving Credit Facility	4,031	8,619 <sup>(5)</sup>
Finance leases	4,741	4,741
<b>Total third party borrowings</b>	<b>526,558</b>	<b>583,464</b>
Issuer Loan	483,140	483,229
Bridge Loan	38,089	— <sup>(6)</sup>
New Issuer Loan <sup>(7)</sup>	—	38,000
<b>Total shareholder instruments</b>	<b>521,229</b>	<b>521,229</b>
<b>Capital and reserves<sup>(8)</sup></b>	<b>(87,123)</b>	<b>(87,123)</b>
<b>Capitalization</b>	<b>960,664</b>	<b>1,017,570</b>

(1) Restricted cash constitutes £4.1 million of rental deposits held in relation to certain of the Group's cinema sites.

(2) Includes both the Original Floating Rate Notes issued on July 18, 2013 and the Additional Notes being offered by the Issuer in connection with this Offering. The Additional Notes are stated gross of estimated capitalized issue costs and do not take into account that the Additional Notes will be issued with original issue discount. For the purposes of this presentation, the aggregate principal amount of the Original Floating Rate Notes and the aggregate principal amount of the Additional Notes have been converted into pounds sterling at an exchange rate of €1.2578 per £1.00 based on the Bloomberg rate on August 28, 2014.

(3) The Original Fixed Rate Notes are stated gross of estimated capitalized issue costs.

(4) Capitalized issue costs relate to costs incurred in connection with the 2013 Transactions and is adjusted by £3.3 million, which excludes the estimated original issue discount for the Offering.

(5) As of August 28, 2014, £4.0 million was outstanding under the Revolving Credit Facility, the proceeds of which were used in connection with certain working capital requirements. In connection with the Transactions, we anticipate that we will utilize an additional £4.6 million under the Revolving Credit Facility. Actual drawings under the Revolving Credit Facility may vary from the figure presented, according to seasonal working capital requirements.

(6) The refinancing balance of £89,000 under the Bridge Loan has been added to the balance of the Issuer Loan in this column.

(7) The New Issuer Loan will be funded by the repayment of £38.0 million to the AIMCo Entities and OMERS Entities in respect of the Bridge Loan Notes that were issued to them by Finco. See "The Transactions — The Financing" and "Certain Relationships and Related Party Transactions — Bridge Loan and — Issuer Loan and New Issuer Loan" for further information.

(8) Capital and reserves consist of called up share capital, other reserve, profit and loss account and minority interests.



## SELECTED HISTORICAL FINANCIAL INFORMATION

The Issuer was formed as a private limited company under the laws of England and Wales on May 2, 2013 and was re-registered as a public limited company organized under the laws of England and Wales on July 1, 2013, with a company number 8514872. The Issuer is wholly-owned indirectly by Holdco which is wholly-owned by the AIMCo Entities, the OMERS Entities, the Executive Managers (and their close relatives) and certain of Vue's senior management. The Issuer's only material assets and liabilities are its interest in all of the issued and outstanding shares of VEIL and its outstanding indebtedness incurred in connection therewith.

This section presents our selected financial information for the indicated periods and operating data, derived or extracted from the unaudited interim condensed consolidated financial statements of the Issuer as of and for the 39 week period ended August 28, 2014, prepared in accordance with best practice as derived from IAS 34; (ii) the audited consolidated financial statements of the Issuer as of November 28, 2013 and for the period from May 2, 2013 (date of incorporation) to November 28, 2013, prepared in accordance with U.K. GAAP, which only reflect the trading results of VEIL for the 16 week period from August 8, 2013 to November 28, 2013, as the Issuer acquired VEIL on August 8, 2013; (iii) the unaudited interim condensed consolidated financial statements of VEIL as of and for the 39 week period ended August 29, 2013, prepared in accordance with best practice as derived from IAS 34; (iv) the consolidated financial statements of VEIL as of and for the 52 week period ended November 28, 2013, prepared in accordance with U.K. GAAP; (v) the audited consolidated financial statements of VEIL as of and for the 53 week period ended November 29, 2012, prepared in accordance with U.K. GAAP; and (vi) the audited consolidated financial statements of VEIL as of November 24, 2011 and for the 56 week period from incorporation on October 26, 2010 to November 24, 2011, which includes the trading results of Vue Entertainment Investment Limited for the 49 week period from December 21, 2010, prepared in accordance with U.K. GAAP.

This section and the offering memorandum presents financial information for both the Issuer and VEIL, as the Issuer was not incorporated until May 2, 2013 and did not acquire the entire share capital of VEIL until August 8, 2013. The Group's results of operations are now consolidated at the level of the Issuer.

The selected financial information and other data includes certain financial measures that are not measures defined by U.K. GAAP, as well as certain operating data related to our business. The following selected financial information and other data should be read in conjunction with our Consolidated Financial Statements and notes thereto contained elsewhere in this offering memorandum and the sections entitled *"Use of Proceeds," "Capitalization," "Summary Historical Financial Information and Operating Data"* and *"Management's Discussion and Analysis of Financial Condition and Results of Operations."* Please also see *"Presentation of Financial and Other Information"* for further details on the consolidated financial information and operating data included below.

## Historical Consolidated Profit and Loss Account — VEIL<sup>(1)</sup>

	39 week period ended		52 week period ended	53 week period ended	49 week trading period ended
	August 28, 2014	August 29, 2013	November 28, 2013	November 29, 2012	November 24, 2011
			(£ in thousands)		
			(Restated) <sup>(7)</sup>		
<b>Continuing operations:</b>					
Existing operations . . . . .	415,211	389,323	504,974	376,915	281,088
Acquisitions — Multikino . .	—	—	13,245	—	—
<b>Turnover . . . . .</b>	<b>415,211</b>	<b>389,323</b>	<b>518,219</b>	<b>376,915</b>	<b>281,088</b>
Cost of sales . . . . .	(157,338)	(146,870)	(193,734)	(140,524)	(99,874)
<b>Gross profit . . . . .</b>	<b>257,873</b>	<b>242,453</b>	<b>324,485</b>	<b>236,391</b>	<b>181,214</b>
Administrative expenses . . . .	(239,413)	(224,001)	(307,628)	(218,358)	(165,974)
<b>Group operating profit . . . .</b>	<b>18,460</b>	<b>18,452</b>	<b>16,857</b>	<b>18,033</b>	<b>15,240</b>
Interest receivable and similar income . . . . .	165	164	184	124	86
Interest payable and similar charges . . . . .	(55,516)	(78,312)	(83,975)	(56,790)	(46,110)
<b>Loss on ordinary activities before taxation . . . . .</b>	<b>(36,891)</b>	<b>(59,696)</b>	<b>(66,934)</b>	<b>(38,633)</b>	<b>(30,784)</b>
Tax charge on loss on ordinary activities . . . . .	(3,536)	(4,695)	(3,083)	(2,616)	(2,646)
<b>Loss on ordinary activities after taxation . . . . .</b>	<b>(40,427)</b>	<b>(64,391)</b>	<b>(70,017)</b>	<b>(41,249)</b>	<b>(33,430)</b>
Minority interests . . . . .	(330)	(216)	(396)	(175)	—
<b>Loss for the financial period . . . . .</b>	<b>(40,757)</b>	<b>(64,607)</b>	<b>(70,413)</b>	<b>(41,424)</b>	<b>(33,430)</b>

## Historical Consolidated Balance Sheet — VEIL<sup>(1)</sup>

	As of			
	August 28, 2014	November 28, 2013	November 29, 2012	November 24, 2011
	(£ in thousands)			
	(Restated) <sup>(7)</sup>			
<b>Total fixed assets . . . . .</b>	<b>695,530</b>	<b>733,871</b>	<b>661,246</b>	<b>538,752</b>
Cash at bank and in hand . . . . .	51,680	54,573	61,933	18,003
<b>Total current assets . . . . .</b>	<b>129,681</b>	<b>135,937</b>	<b>114,829</b>	<b>38,365</b>
<b>Total creditors: amounts falling due within one year . . . . .</b>	<b>(843,648)</b>	<b>(836,041)</b>	<b>(260,183)</b>	<b>(56,053)</b>
<b>Total assets less current liabilities . . . . .</b>	<b>(18,437)</b>	<b>33,767</b>	<b>515,892</b>	<b>521,064</b>
Creditors: amounts falling due after one year . .	178,206	175,264	584,821	552,334
<b>Total shareholders' deficit . . . . .</b>	<b>(195,545)</b>	<b>(143,210)</b>	<b>(71,536)</b>	<b>(31,270)</b>
Minority interests . . . . .	(1,098)	1,713	2,607	—
<b>Capital employed . . . . .</b>	<b>(18,437)</b>	<b>33,767</b>	<b>515,892</b>	<b>521,064</b>

## Historical Consolidated Cash Flow Statement — VEIL<sup>(1)</sup>

	39 week period ended		52 week period ended	53 week period ended	49 week trading period ended
	August 28, 2014	August 29, 2013	November 28, 2013	November 29, 2012	November 24, 2011
			(£ in thousands)		
				(Restated) <sup>(7)</sup>	
<b>Operating activities:</b>					
Net cash inflow from operating activities . . . . .	63,693	46,518	53,079	62,040	30,731
<b>Net cash outflow from returns on investments and servicing of finance . . . . .</b>	<b>(747)</b>	<b>(17,783)</b>	<b>(18,900)</b>	<b>(24,020)</b>	<b>(11,111)</b>
Taxation (paid)/received . . . . .	(2,647)	(1,762)	(2,214)	(1,538)	366
<b>Net cash inflow/(outflow) from capital expenditure and other financial investments . . . . .</b>	<b>(22,557)</b>	<b>(17,207)</b>	<b>(73,944)</b>	<b>(139,292)</b>	<b>(465,826)</b>
<b>Net cash inflow/(outflow) from financing activities . . . . .</b>	<b>(38,318)</b>	<b>(13,172)</b>	<b>32,655</b>	<b>146,740</b>	<b>463,843</b>
<b>Increase/(decrease) in cash . . . . .</b>	<b>(576)</b>	<b>(3,406)</b>	<b>(9,324)</b>	<b>43,930</b>	<b>18,003</b>

## Historical Consolidated Profit and Loss Account — Issuer

	39 week period ended August 28, 2014	3 week trading period ended August 29, 2013	16 week trading period ended November 28, 2013
		(£ in thousands)	
<b>Turnover . . . . .</b>	<b>415,211</b>	<b>32,488</b>	<b>161,384</b>
Cost of sales . . . . .	(157,338)	(11,778)	(58,642)
<b>Gross profit . . . . .</b>	<b>257,873</b>	<b>20,710</b>	<b>102,742</b>
Administrative expenses . . . . .	(254,632)	(18,526)	(102,296)
<b>Group operating profit . . . . .</b>	<b>3,241</b>	<b>2,184</b>	<b>446</b>
Interest receivable and similar income . . . . .	167	645	58
Interest payable and similar charges . . . . .	(62,789)	(7,637)	(20,236)
<b>Loss on ordinary activities before taxation . . . . .</b>	<b>(59,381)</b>	<b>(4,808)</b>	<b>(19,732)</b>
Tax (charge) / credit on loss on ordinary activities . . . . .	(3,536)	(222)	(1,239)
<b>Loss on ordinary activities after taxation . . . . .</b>	<b>(62,917)</b>	<b>(5,030)</b>	<b>(18,493)</b>
Minority interests . . . . .	(330)	(1)	(181)
<b>Loss for the financial period . . . . .</b>	<b>(63,247)</b>	<b>(5,031)</b>	<b>(18,674)</b>

## Historical Consolidated Balance Sheet — Issuer

	As of	
	August 28, 2014	November 28, 2013
	(£ in thousands)	
<b>Total fixed assets</b>	<b>1,034,026</b>	<b>1,080,201</b>
Cash at bank and in hand	52,847	55,491
<b>Total current assets (including cash)</b>	<b>119,496</b>	<b>123,112</b>
<b>Total creditors: amounts falling due within one year</b>	<b>(147,609)</b>	<b>(150,758)</b>
<b>Total assets less current liabilities</b>	<b>1,005,913</b>	<b>1,052,555</b>
<b>Creditors: amounts falling due after more than one year</b>	<b>1,093,036</b>	<b>1,068,252</b>
<b>Total shareholders' deficit</b>	<b>(86,025)</b>	<b>(17,410)</b>
Minority interests	(1,098)	1,713
<b>Capital employed</b>	<b>1,005,913</b>	<b>1,052,555</b>

## Historical Consolidated Cash Flow Statement — Issuer

	39 week period ended August 28, 2014	3 week trading period ended August 29, 2013	16 week trading period ended November 28, 2013
Net cash inflow from operating activities	61,474	12,600	17,392
<b>Net cash outflow from returns on investment and servicing of finance</b>	<b>(36,967)</b>	<b>(40)</b>	<b>(3,820)</b>
Taxation paid	(2,647)	(861)	(1,477)
<b>Net cash outflow from capital expenditure and other financial investments</b>	<b>(22,558)</b>	<b>(930,135)</b>	<b>(990,137)</b>
<b>Net cash inflow from financing activities</b>	<b>391</b>	<b>972,239</b>	<b>978,290</b>
<b>Increase/(decrease) in cash at bank and in hand</b>	<b>(307)</b>	<b>53,803</b>	<b>248</b>

## Summary Operating and Other Financial Data<sup>(1)</sup>

	Issuer		VEIL			
	52 week period ended August 28, 2014	39 week period ended August 28, 2014	39 week period ended August 29, 2013	52 week period ended November 28, 2013	53 week period ended November 29, 2012	49 week trading period ended November 24, 2011
Average ticket price <sup>(2)</sup> (£)	6.10	6.09	6.56	6.46	5.89	5.49
Total admissions <sup>(3)</sup> (in millions)	58.3	45.0	40.6	53.9	46.2	36.1
Total revenue per person <sup>(4)</sup> (£)	9.33	9.22	9.59	9.62	8.15	7.79
Total concession spend per person <sup>(5)</sup> (£)	2.10	2.08	2.13	2.15	1.93	1.81
Number of screens <sup>(6)</sup>	1,359	1,359	1,089	1,348	1,085	699

(1) A number of different factors affect the comparability of our Consolidated Financial Statements. These are described in "Presentation of Financial and Other Information — Certain Factors Affecting the Comparability of our Consolidated Financial Statements". The principal factor affecting comparability of our results of operations and our cash flows relates to the number of weeks of trading activity and cash flows relating to businesses we have acquired, which in accordance with U.K. GAAP are only

consolidated from the date of acquisition. The following table presents for each of the financial periods presented in this offering memorandum the number of weeks of trading activities and cash flows relating to the various acquisitions we have made:

	<b>Date of acquisition / consolidation in financial statements</b>	<b>52 week period ended August 28, 2014</b>	<b>39 week period ended August 28, 2014</b>	<b>39 week period ended August 29 2013</b>	<b>52 week period ended November 28, 2013</b>	<b>53 week period ended November 29, 2012</b>	<b>49 week period ended November 24 2011</b>
Multikino <sup>(a)</sup> . . . . .	September 30, 2013	47 weeks	39 weeks	—	8 weeks	—	—
Issuer <sup>(b)</sup> . . . . .	August 8, 2013	52 weeks	39 weeks	3 weeks	—	—	—
CinemaxX <sup>(a)</sup> . . . . .	August 7, 2012	52 weeks	39 weeks	39 weeks	52 weeks	16 weeks	—
Apollo <sup>(a)</sup> . . . . .	May 10, 2012	52 weeks	39 weeks	39 weeks	52 weeks	29 weeks	—
Vue Entertainment Investment Limited <sup>(c)</sup> . . . . .	December 21, 2010	52 weeks	39 weeks	39 weeks	52 weeks	53 weeks	49 weeks

(a) VEIL acquired Apollo on May 10, 2012, CinemaxX on August 7, 2012 and Multikino on September 30, 2013.

(b) The Issuer was incorporated on May 2, 2013 and acquired VEIL, which constituted the trading group, on August 8, 2013.

(c) VEIL was incorporated on October 26, 2010 and acquired Vue Entertainment Investment Limited and its subsidiaries on December 21, 2010.

- (2) Calculated as total box office revenue in the period (net of VAT), divided by total admissions in the period.
- (3) Includes paid and unpaid admissions in the period.
- (4) Calculated as total turnover for the period, as consolidated at VEIL (net of VAT), divided by total admissions in the period.
- (5) Calculated as total concession revenue for the period, as consolidated at VEIL (net of VAT), divided by total admissions in the period.
- (6) Number of screens at period end.
- (7) We have reclassified certain amounts in the consolidated financial statements of VEIL for the 53 week period ended November 29, 2012, as presented as comparatives in the 2013 consolidated financial statements, in order to conform with our current presentation. The reclassifications (i) amend the allocation of certain results of operations of CinemaxX between revenue, cost of sales and administrative expenses as compared to their allocation in the 2012 consolidated financial statements, and has no impact on the total loss for the period or EBITDA; and (ii) amend the allocation of certain amounts due to creditors between loans and other creditors.

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

*The following is a discussion and analysis of our financial condition and results of operations for the periods indicated. You should read the following in conjunction with the rest of this offering memorandum, including the "Summary Historical Financial Information and Operating Data," "Capitalization," "Use of Proceeds," "Selected Historical Financial Information" and the Consolidated Financial Statements, the notes thereto and the auditors' reports presented in "Index to Financial Statements" in this offering memorandum. You should also review the information in the section "Presentation of Financial and Other Information" for further details on the consolidated financial and operating information included below. In particular, you should note that the Consolidated Financial Statements may not be comparable across reporting periods. As a result of various factors presented in "— Factors Affecting Comparability" below, our results for the 39 weeks ended August 28, 2014, 39 weeks ended August 29, 2013, 52 weeks ended November 28, 2013, 53 weeks ended November 29, 2012 and the 56 weeks ended November 24, 2011 (which represents 49 weeks of trading from the date Doughty Hanson acquired the Group) are not directly comparable to one another.*

*This discussion and analysis contains forward-looking statements that are subject to known and unknown risks and uncertainties. Our actual results and the timing of events could differ materially from those expressed or implied by such forward-looking statements as a result of various factors, including those discussed below and elsewhere in this offering memorandum, particularly under the headings "Forward-looking statements" and "Risk Factors." We do not undertake any obligation to revise or publicly release the results of any revision to these forward-looking statements.*

### Overview

We believe we are Europe's third largest cinema operator by number of screens with operations predominantly in the United Kingdom, Germany and Poland. We have grown our portfolio through a combination of new cinema developments and acquisitions of cinemas in the United Kingdom and internationally. We currently operate 150 cinemas with 1,359 screens located across eight countries, and upon completion of The Space Acquisition, we will operate 186 cinemas with 1,721 screens located across nine countries. We believe our cinema portfolio in the United Kingdom represents the newest, most modern chain of cinemas in the country. In the United Kingdom, 98.8% of our cinemas are multiplexes, 95.9% have stadium seating that provides unobstructed views of the screen and all are fully digital. In the United Kingdom, all of our cinemas use Sony Digital Cinema 4K digital projection technology, which provides four times the resolution of 2K digital projectors. We have a broad reach in the United Kingdom and we estimate that over 65% of the population lives within a 30-minute drive of a Vue cinema. According to IBOE/Rentrak, our GBOR market share in the United Kingdom was approximately 23.4% for the 52 weeks ended November 28, 2013 and 22.8% for the 39 weeks ended August 28, 2014. We operate five of the top 20 grossing box office cinemas in the United Kingdom, with a strong presence in the key London and West End markets, including our Westfield London site which was the highest grossing box office cinema in the United Kingdom for the 52 weeks ended November 28, 2013 and the 39 weeks ended August 28, 2014.

We have leveraged our strong operational knowledge and experience with successful integrations of acquisitions to enter new European markets through selective strategic acquisitions of leading cinema operators. These European markets are generally more fragmented and less developed than the United Kingdom and we believe they offer opportunities for consolidation and growth. In August 2012, we established our presence in Germany and Denmark through the acquisition of CinemaxX, Germany's second largest cinema operator by number of screens (excluding Cineplex Group, a co-operative of independent operators) currently and at the time of the acquisition of CinemaxX. Our cinemas in Germany are typically situated in premium city center locations within the 20 largest German cities where population densities are highest. We believe that all of our German cinemas offer state-of-the-art facilities; for example, all of our cinemas in Germany have 4K digital projection technology. We also recently expanded into Poland, Latvia and Lithuania through the acquisition of Poland's second largest cinema operator by number of screens, Multikino, in September 2013. Approximately 94% of Multikino's cinemas are multiplexes and all are fully digital. In addition, we operate a 14-screen cinema in Dublin, Ireland and a 16-screen cinema in Taipei, Taiwan, each of which is a multiplex cinema and has stadium seating. We also recently signed a sale and purchase agreement for The Space, Italy's largest cinema operator by admissions and GBOR, operating 36 multiplex cinemas with 362 fully digital screens. We expect The Space Acquisition to close on or about the Issue Date.



On a *pro forma* basis, assuming The Space Acquisition had occurred on August 30, 2013, our Adjusted EBITDA for the 52 weeks ended August 28, 2014 would have been £99.6 million. See “*Presentation of Financial and Other Information — Other Financial Measures.*”

### Geographic segments

We account for our operations in three main geographic segments:

- the United Kingdom (which includes our U.K. business as well as Apollo, which was acquired in 2012 and consolidated from May 10, 2012);
- Continental Europe, which includes our Irish business, CinemaxX in Germany and Denmark (which was also acquired in 2012 and consolidated from August 7, 2012) and operations in Poland, Latvia and Lithuania, (which we acquired in 2013 and consolidated from September 30, 2013) and, after the completion of The Space Acquisition, will include operations in Italy. These operations also included our Portuguese business until we ceased operations on July 7, 2014. In operational terms, our Irish business is managed and operated as part of our U.K. business, but as a euro-denominated territory, Ireland is included within Continental Europe for accounting and financial purposes; and
- other markets, which represents our business in Taiwan.

As of and for the 39 weeks ended August 28, 2014, the United Kingdom, Continental Europe (excluding The Space) and other markets represented 53.4%, 45.2% and 1.4% of our turnover and had (net liabilities)/net assets of £(354.4) million, £162.2 million and £(3.4) million, respectively. As of and for the 52 weeks ended August 28, 2014, the United Kingdom, Continental Europe (excluding The Space) and other markets represented 53.0%, 45.7% and 1.3% of our revenue and had (net liabilities)/net assets of £(354.4) million, £162.2 million and £(3.4) million, respectively. For further information regarding our turnover by geographic segment, see note 6 of our Consolidated Financial Statements.

### Current Trading

Although our full results for the five week period ended October 2, 2014 have not yet been completed, we estimate our total admissions for the five week period ended October 2, 2014 were 3.7 million. In the United Kingdom, total admissions for this period were lower compared to the corresponding period in 2013, due to a weaker film slate and unseasonably dry and warm weather. Conversely, admissions were higher in Germany compared to the corresponding period in 2013, due to the strong performance of *Guardians of The Galaxy*, and admissions in Poland were higher compared to the corresponding period in 2013 due to the success of local Polish films, particularly *Miasto 44*.

### Principal factors affecting results of operations and financial performance

#### Box Office Revenues

The largest component of our total consolidated turnover is box office revenue. Our box office revenue is a function of our average net ticket price, total admissions and film quality and success. Our average net ticket price, total admissions, which comprises both paid and unpaid admissions, and certain other key operational data, are presented below for the periods indicated.

	VEIL				
	39 week period ended August 28, 2014	39 week period ended August 29, 2013 <sup>(1)</sup>	52 week period ended November 28, 2013 <sup>(1)</sup>	53 week period ended November 29, 2012 <sup>(1)</sup>	49 week trading period ended November 24, 2011 <sup>(2)(3)</sup>
Average ticket price <sup>(4)</sup> (£) . . . . .	6.09	6.56	6.46	5.89	5.49
Total admissions <sup>(5)</sup> (in millions) . . . .	45.0	40.6	53.9	46.2	36.1
Total revenue per person <sup>(6)</sup> (£) . . . .	9.22	9.59	9.62	8.15	7.79
Total concession spend per person <sup>(7)</sup> (£) . . . . .	2.08	2.13	2.15	1.93	1.81
Number of cinemas <sup>(8)</sup> . . . . .	150	117	149	119	71
Number of screens <sup>(8)</sup> . . . . .	1,359	1,089	1,348	1,085	699

(1) The data for the 39 weeks ended August 29, 2013, 53 weeks ended November 29, 2012 and the 49 trading weeks ended November 24, 2011 do not include any amounts related to Multikino, which was acquired on September 30, 2013. The data for the 52 weeks ended November 28, 2013 includes amounts relating to Multikino, effective from September 30, 2013.

- (2) The data for the 49 trading weeks ended November 24, 2011 does not include any amounts related to Apollo or CinemaxX, which were acquired on May 10, 2012 and August 7, 2012, respectively.
- (3) Covers the 56 weeks from the date of incorporation of VEIL to November 24, 2011, but of which only 49 weeks included trading results.
- (4) Calculated as total box office revenue in the period (net of VAT), divided by total admissions in the period.
- (5) Includes paid and unpaid admissions in the period.
- (6) Calculated as total turnover for the period, as consolidated at VEIL (net of VAT), divided by total admissions in the period.
- (7) Calculated as total concession revenue for the period, as consolidated at VEIL (net of VAT), divided by total admissions in the period.
- (8) Presented as the number at period end.

### *Average Ticket Prices*

Our ticket pricing levels vary by cinema location and other variables including time of day, day of the week and type of customer for each film, resulting in higher ticket prices in certain circumstances and in increased use of discounts in others. Premium offerings in the United Kingdom, such as VIP seats, Vue Xtreme screens and 3D film offerings also serve to increase average ticket prices. While targeted discounts such as "Super Tuesdays," "Orange Wednesdays" and the "Kids AM" programs reduce average ticket prices, we believe these discounts boost total admissions volume and therefore overall box office revenue. Premium offerings in Germany such as surcharges for 3D films, longer films and blockbusters, plus seat location surcharges, have also served to increase average ticket prices. CinemaxX generally benefits from German cinemas having higher average ticket prices than in the United Kingdom, and as a result our group average ticket price increased following the acquisition of CinemaxX in August 2012. Multikino has lower average ticket prices than the rest of the Group and, as a result, the increase in overall Group average ticket price facilitated by the CinemaxX Acquisition has been slightly offset by the Multikino Acquisition.

The film slate of available movies in a given period also affects our box office revenue and average ticket prices through variations in the mix of different ticket types sold. Certain films tend to attract an adult audience that will purchase higher-priced adult tickets, whereas other films are intended for children or seniors, whose tickets are sold at a discount as compared to standard adult tickets. Certain films are also more likely to be shown in formats which enhance turnover, such as 3D or Vue Xtreme.

### *Total Admissions*

Our total admissions are substantially affected by the quality and success of the films we offer, and seasonal and other factors, each as explained further in the factors below. The number of cinemas and screens we operate also affects our total admissions. We have increased the number of cinemas and screens we operate from 66 cinemas featuring 643 screens as of November 28, 2008 to 150 cinemas featuring 1,359 screens as of August 28, 2014. We have achieved this growth organically by opening ten new cinemas with 102 new screens since November 28, 2008 and through acquisitions, of Apollo (which ultimately added a net nine cinemas and 56 screens) and CinemaxX (which added 33 cinemas and 282 screens) and, most recently, Multikino (which added 30 cinemas and 246 screens). Since we acquired Multikino, it has subsequently opened a further four new sites with 31 screens. This increase in the number of cinemas and screens has contributed to growth in our total admissions from 38.7 million for the 52 weeks ended November 25, 2010 to 53.9 million for the 52 weeks ended November 28, 2013, which is largely attributable to our acquisitions of Apollo and CinemaxX during 2012 and Multikino in 2013. Upon the completion of The Space Acquisition, we will gain an additional 36 cinemas and 362 screens.

### *Film Quality and Success*

The unexpected emergence of a successful film, or the failure of an expected success, has led and can lead to volatility in our admissions and box office revenue across financial periods. Our results are therefore dependent on the film slate and popularity of the films released in a given period, which in turn depends on production from the movie industry and local content in each country, in addition to the movie industry and local content in Hollywood. Consequently, we are dependent upon the degree to which successful productions are released by major U.S. studios, the British film industry and the film industries in Germany, Poland and, upon completion of The Space Acquisition, Italy. For example, in the 53 weeks ended November 29, 2012, a relatively poor summer period with a weak slate of films was followed by the release of

the record-breaking Bond film *Skyfall*, which provided a strong end to the financial year. In 2013, in Germany, the German-language film *Fack Ju Gohde* also provided a strong end to the year.

### **Seasonal and Other Factors**

Our turnover has historically been affected by the following seasonal and other factors:

*Distribution release schedules.* Generally, the major film distributors release the films they expect to be most successful during holiday periods, concentrated particularly in the summer months and around the Christmas holidays. The timing of such film releases has had, and is expected to continue to have, a significant effect on our results of operations, and the results of one quarter are therefore not necessarily indicative of results for the next quarter or for the same period in the following year.

*Weather.* Weather and weather forecasts also influence attendance levels and directly affect our turnover. In general, rainy or otherwise inclement weather tends to positively impact admissions, unless the inclement weather is extreme, which tends to lead to reduced admissions. The onset of sunny weather after a gloomy period can reduce attendance for a short period of time, as some potential customers pursue outdoor leisure activities instead of visiting the cinema. For example, according to the Met Office, the 2014 winter (December 2013 to February 2014) was the wettest in the United Kingdom since national records began in 1910. This was also the stormiest period of weather experienced by the UK for at least 20 years (with 12 major winter storms), with a number of areas impacted by sustained periods of flooding, although admissions decreased only slightly during this period as a result of a strong film slate (see "*Principal factors affecting results of operations and financial performance — Film Quality and Success*"). Furthermore, the positive or negative impact of weather on attendance can be magnified if the relevant weather coincides with the opening weekend of a significant release, as a substantial portion of a film's box office revenue is typically earned in its opening weekend.

*Competing entertainment or unexpected events.* Major social, political, cultural or sporting events impact our turnover to the extent that they reduce total admissions. Although film distributors attempt to take such events into account when scheduling film releases, the specific timing of major events can still have an impact on total admissions. For example, the 2014 FIFA World Cup took place this year from June 12, 2014 to July 13, 2014 and led to a reduction in admissions in our cinemas for the duration of the tournament. Additionally, the 2012 Olympic and Paralympic Games that took place in London, where we generate a significant portion of our turnover, led to a reduction in admissions in London and other cinemas for the duration of the Games. The rioting that took place in London and other U.K. cities during the summer of 2011 also led to lower attendance and turnover than would otherwise have been expected during the summer season.

### **Concessions**

Concession revenues form the second largest source of our turnover. Concession revenue is impacted by the types and length of films which we play, the exhibition format and general economic conditions. For example, in some geographic markets, longer films are shown with intermissions, which generally benefits concession sales. In addition, we believe certain types of films, for example superhero films such as *Captain America: The Winter Soldier*, *X-Men: Days of Future Past* or *Guardians of the Galaxy*, generally attract customers who are more likely than others to spend on concessions. We believe that price conscious customers who purchase discount tickets are also more likely to spend less on concessions.

General economic conditions are also a factor as these conditions impact consumer spending patterns, including the proportion of customers who are attracted to discount tickets. Although attendance levels have remained relatively stable, including during the most recent economic downturn, concession volumes across the industry appear to have been adversely affected as consumers have less discretionary income due to the current economic climate.

The cost of sales we incur for concession sales varies by product type, but in general concession revenue tends to have strong margins. Historically, we have sought to manage our concessions costs by negotiating prices for our products directly with suppliers in each market, although our multi-territory presence now provides the opportunity to leverage our scale and negotiate more cost-effective deals.

## **Screen Advertising Revenue**

Screen advertising revenue generally varies depending on the type of films screened, the minutes and value of advertising sold, the number of attendees who view the film, and the placement of the advertisement in relation to the start time of the film. Screen advertising revenues are generally more directly correlated to the overall economic environment as compared to, for instance, admission volumes. Under our contractual arrangements, our advertising revenues have a minimal amount of cost of sales associated with them, resulting in an enhanced benefit to our profitability when screen advertising income increases.

## **Operating Margins**

Our ability to maintain operating margins as we increase total admissions and revenue depends upon the success of strategies aimed at optimizing the relationship between average ticket prices and total admission volumes, while increasing customers' average spend on concession items, and managing our staff costs and film rental expenses. In addition to the average ticket prices achieved by a given film, a film's profitability for us also depends on the margins we achieve between tickets sold and the film rental costs we pay to distributors. The film license agreements we negotiate with distributors are the single largest component of our expenses, and are negotiated on a film-by-film basis, and as a result the percentage of box office revenue that is paid to film distributors will vary, depending on the expected quality of the film and the period during which it is shown in our cinemas.

Certain of our expenses vary, according to total admissions and levels of box office revenue. Our film rental costs, for example, are calculated with reference to box office revenue, and therefore a significant portion of our costs tends to decrease during periods of low admissions. We also manage our staff costs in order to match, to the extent possible, staffing levels with admissions levels. For example, we have the ability to reduce the operating hours of our cinemas during quiet periods, thus reducing staff costs and utility costs. We also have the ability to manage discretionary costs, such as marketing, non-essential expenses and supplies, and the timing of certain repair and maintenance expenses, so that these cost outlays are in line with admission volumes.

Certain of our expenses do not vary with admissions or box office revenues. For example, property rentals (excluding turnover rents), depreciation and amortization are generally costs that are not influenced by changes in levels of admissions or box office revenues. We endeavor to mitigate the risk to financial performance from low attendance by generating revenues from non-film sources such as screening of alternative content and hiring our facilities for conferences. In addition, we apply a rigorous approach to property management so as to optimize our negotiation of rents, property leases and costs of new cinema sites.

## **Foreign Currency Fluctuations and Translation**

We operate internationally and are exposed to foreign exchange fluctuations arising from various currency exposures primarily with respect to pounds sterling and the euro and also with respect to both pounds sterling and euros against the Polish zloty, Latvia lats and Lithuanian litas, as a result of our acquisition of Multikino in September 2013. As a result, our reported results of operations and financial condition are affected by exchange rate fluctuations due to both transaction and, more significantly, translation risk. See *"Risk Factors — Risks Relating to Our Business and the Industry — Fluctuations in exchange rates may adversely affect our results of operations."*

Transaction risk arises when our subsidiaries execute transactions in a currency other than their functional currency, however. On a consolidated basis, we consider the Group's transaction foreign exchange risk to be low, primarily because each of our geographic segments receive revenue and incur most expenses in their functional currencies, and thus benefit from a natural hedge. Our operations in Poland, Latvia and Lithuania are subject to higher transaction risk as a result of receiving revenue in zloty, lats and litas, respectively, while paying property rental costs in euros.

Translation risk arises because the Group prepares its Consolidated Financial Statements in pounds sterling whereas our subsidiaries operating outside the United Kingdom prepare their financial statements in currencies other than pounds sterling. We are therefore exposed to translation risk on the preparation of our Consolidated Financial Statements when we translate the financial statements of our subsidiaries which have a functional currency other than pounds sterling. Translation risk in our operations to date has exposed us to fluctuations in the value of pounds sterling as compared to the euro, Polish zloty, Latvian lats and Lithuanian litas and, to a limited extent, against the Taiwanese new dollar and Danish Krone. Given our increasing focus

on markets outside the United Kingdom, we expect the translation effect of exchange rate fluctuations on our reported results of operations to increase over time. We do not currently hedge our foreign currency exposure other than by the natural hedge provided by having debt denominated in both pounds sterling and euros.

For further discussion of the effects of fluctuations in the pounds sterling to euro and other relevant foreign exchange rates, see “— *Qualitative and Quantitative Disclosure about Market and Operating Risk — Foreign exchange risk*” below.

## Factors Affecting Comparability

### Financial Periods

Our financial statements are generally prepared for either a 52- or 53-week period ending on a Thursday within one week of November 30. Our consolidated balance sheet as of November 24, 2011 and our consolidated profit and loss account and cash flow statement for the period from incorporation of VEIL on October 26, 2010 to November 24, 2011 include our trading results from December 21, 2010 (the date upon which it indirectly acquired 100% of the ordinary shares of Vue Entertainment Investment Limited). As a result, our consolidated profit and loss account and cash flow statement for the period ended November 24, 2011 included in this offering memorandum refer to the 56 weeks from October 26, 2010 but only include trading results for 49 weeks.

The following table presents for each of the financial periods presented in this offering memorandum the number of weeks of trading activities and cash flows relating to the various acquisitions we have made:

	Date of acquisition / consolidation in financial statements	52 week period ended August 28, 2014	39 week period ended August 28, 2014	39 week period ended August 29, 2013	52 week period ended November 28, 2013	53 week period ended November 29, 2012	49 week period ended November 24, 2011
Multikino <sup>(1)</sup>	September 30, 2013	47 weeks	39 weeks	—	8 weeks	—	—
Issuer <sup>(2)</sup>	August 8, 2013	52 weeks	39 weeks	3 weeks	—	—	—
CinemaxX <sup>(1)</sup>	August 7, 2012	52 weeks	39 weeks	39 weeks	52 weeks	16 weeks	—
Apollo <sup>(1)</sup>	May 10, 2012	52 weeks	39 weeks	39 weeks	52 weeks	29 weeks	—
Vue Entertainment Investment Limited <sup>(3)</sup>	December 21, 2010	52 weeks	39 weeks	39 weeks	52 weeks	53 weeks	49 weeks

(1) VEIL acquired Apollo on May 10, 2012, CinemaxX on August 7, 2012 and Multikino on September 30, 2013.

(2) The Issuer was incorporated on May 2, 2013 and acquired VEIL, which constituted the trading group, on August 8, 2013.

(3) VEIL was incorporated on October 26, 2010 and acquired Vue Entertainment Investment Limited and its subsidiaries on December 21, 2010.

Accordingly, our results for the 52 weeks ended November 28, 2013, 53 weeks ended November 29, 2012 and the 49 trading weeks ended November 24, 2011 are not directly comparable to one another.

### Effects of the acquisition of Apollo, CinemaxX and Multikino on our historical Consolidated Financial Statements

We made significant acquisitions in both our United Kingdom and Continental Europe geographic segments, in May 2012, August 2012 and September 2013. These acquisitions were financed by bridging loans of £16.5 million and €94.9 million (including the Doughty Hanson cash bridge mentioned below), plus a €90.0 million standalone term loan facility, all of which were repaid at the time of the refinancing of our bank loans on December 17, 2012 and upon completion of the Vue Acquisition, and the issuance of the Original Notes.

Specifically:

- effective May 10, 2012, we acquired Apollo Cinemas Limited in the United Kingdom, and we consolidated its results of operations into our financial statements as of the date of its acquisition. We currently operate nine of Apollo’s cinemas;
- effective August 7, 2012, we acquired 30 cinemas in Germany and three cinemas in Denmark upon our purchase of a 91.34% stake in CinemaxX, Germany’s second largest cinema operator by number of screens currently and at the time of the acquisition of CinemaxX. We consolidated its results of



operations into our financial statements as of the date of its acquisition. We now own 100% of CinemaxX following the Squeeze Out that was effected on February 12, 2014;

- effective January 1, 2013, CinemaxX acquired a cinema in Raschplatz, Germany, which it had previously managed, adding 10 screens to our portfolio; and
- effective September 30, 2013, we acquired Multikino, which now operates 34 cinemas in Poland, Lithuania and Latvia, and we consolidated its results of operations as of the date of its acquisition.

Since acquiring Apollo, CinemaxX and Multikino, we have been actively integrating them into the existing corporate, operational and financial structures of Vue in order to share best practices and identify and realize synergies where possible. These integration initiatives relate to, among other things, our financial reporting procedures, property management and EBITDA-enhancing capital expenditure processes as well as overall cinema operations.

Our consolidated profit and loss accounts for the 53 weeks ended November 29, 2012 include the results of operations of Apollo and CinemaxX since their respective dates of acquisition, and our consolidated balance sheet at November 29, 2012 includes the financial position of Apollo and CinemaxX, respectively, in full. Additionally, our consolidated results for the 52 weeks ended November 28, 2013 reflect a full year of consolidated results of Apollo and CinemaxX and the partial results of Multikino from the date of its acquisition, which was September 30, 2013. As a result, our financial statements as of and for the 53 weeks ended November 29, 2012 and the 52 weeks ended November 28, 2013 vary significantly from those of earlier periods.

In addition, our results may be affected by other items, particularly our ability to realize synergies, including improved efficiencies at cinemas and roll-out of Vue's best practices in relation to film scheduling and pricing across the larger group, reconfiguration of our newly acquired cinemas, reduction of central and administrative costs, and procurement synergies from expenditures on building multiplex facilities. As a result, due to the acquisitions of the Apollo, CinemaxX, Multikino and, upon completion of The Space Acquisition, The Space, our financial statements in the future will vary significantly from the historical Consolidated Financial Statements contained in this offering memorandum. Additionally, our unaudited interim condensed consolidated financial statements as of and for the 39 week period ended August 28, 2014 include the results of Multikino, whereas our comparative unaudited interim consolidated financial statements as of and for the 39 weeks ended August 29, 2013 do not.

At the date of this offering memorandum, the acquisition accounting in respect of The Space Acquisition has not been completed, and therefore has not been reflected in the Consolidated Financial Statements. Acquisition accounting will require us to determine the fair values of identifiable assets and liabilities as of the closing date of each acquisition, with the difference between the sum of these fair values and the cost of the acquisition being recognized as goodwill in our consolidated balance sheet. This valuation exercise in respect of The Space Acquisition may result in significant adjustments to the historical values of property, plant and equipment, other assets, liabilities and intangible assets, resulting in significant changes to depreciation and amortization expenses and to debt fees being written off in our profit and loss account.

### **OMERS and AIMCo Acquisition**

We were acquired by the OMERS Entities and the AIMCo Entities in August 2013. This acquisition was funded by £550.7 million of Original Notes, £14.3 million in cash and £472.0 million of shareholder loans and equity. As a result, our consolidated results of operations for the 52 trading weeks ended November 28, 2013 reflect significant changes to interest and amortization of goodwill charges relating to the 2013 Transactions, which we expect to continue going forward.

### **Differences between U.K. GAAP and IFRS**

The Consolidated Financial Statements included in this offering memorandum have been prepared in accordance with U.K. GAAP which differs in certain respects from IFRS.

The differences between U.K. GAAP and IFRS could be material to the financial information relating to the Issuer and VEIL included herein. A summary of certain significant differences between U.K. GAAP and IFRS that our management believes could have a significant impact on our financial statements is included in "*Presentation of Financial and Other Information — Summary of Certain Differences Between U.K. GAAP and IFRS*".



In making an investment decision, investors must rely upon their own examination of our business, the terms of the Offering and the financial information presented herein. Potential investors should consult their own professional advisors for an understanding of the differences between U.K. GAAP and IFRS.

### ***Doughty Hanson Acquisition***

We were acquired by Doughty Hanson at the end of 2010. This acquisition was funded by £255 million of senior debt plus £223 million of shareholder loans and equity. As a result, our consolidated results of operations for the 49 trading weeks ended November 24, 2011 and for the 53 weeks ended November 29, 2012 reflect significant interest charges and amortization of goodwill charges relating to the Doughty Hanson acquisition.

### **Factors Affecting Future Results**

#### ***Financings for the Vue Acquisition and the Multikino Acquisition***

The Issuer incurred a substantial amount of new debt to finance both the Vue Acquisition and the Multikino Acquisition. As of August 28, 2014, the Issuer's third party borrowings were £540.0 million (excluding capitalized debt issuance costs and original issue discount). As a result of this increased level of third party borrowings resulting from the 2013 Transactions, the Issuer's interest expense has increased and will increase further in future periods as a result of the Transactions. Accordingly, the Issuer's financial results following completion of the Transactions may differ significantly from our previously reported financial results. As of August 28, 2014, the Issuer recorded debt issuance costs of £13.5 million (excluding original issue discount) in connection with the Original Notes Offering and the 2013 Revolving Credit Facility, which will be amortized over the period of the respective borrowings.

As of August 28, 2014, 57% of the senior secured notes incurred under the Issuer's financing arrangements in connection with the Vue Acquisition and Multikino Acquisition was denominated in pounds sterling and 43% was denominated in euros and other currencies. Therefore, changes in foreign currency exchange rates may affect the value of the Issuer's liabilities when reported in pounds sterling and, therefore, the Issuer's financial condition and results of operations.

### ***The Space Acquisition***

The Issuer is incurring £60.0 million of new debt to finance The Space Acquisition. On a *pro forma* basis, after giving effect to the Transactions, as of August 28, 2014, the Issuer would have had approximately £583.5 million of third party borrowings (which includes capitalized issue cost), of which approximately £586.3 million would have been represented by the Notes. As a result of this increase in third party borrowings, the Issuer's interest expense will increase in future periods. On a *pro forma* basis, after giving effect to the Transactions, as if they had occurred on August 30, 2013, the Issuer's estimated cash interest expenses would have been £41.5 million for the 52 week period ended August 28, 2014.

*Pro forma* for the Transactions, we expect that approximately 48.8% of the third party borrowings incurred under the Issuer's financing arrangements in connection with the Transactions will be denominated in pounds sterling and we believe that 51.2% will be denominated in euros and other currencies. Therefore, changes in foreign currency exchange rates may affect the value of the Issuer's liabilities when reported in pounds sterling and, therefore, the Issuer's financial condition and results of operations.

### **Description of key components of results of operations**

The key elements of our consolidated results of operations are set out below:

#### ***Turnover***

Turnover is net of sales taxes, such as value added tax and comprises, in order of impact on overall turnover:

- box office revenue, which is the revenue we receive from ticket sales;
- concession revenue, which is the revenue we receive from the sale of soft drinks, popcorn, confectionery and other retail products in our cinemas; and
- screen advertising revenue and other income.

Screen advertising income is earned for sale of advertising time in all our markets.

Other income comprises booking fees charged for online and telephone bookings; corporate sales income from off-screen advertising, corporate events and the bulk sale of tickets to companies; and other sundry revenue, which includes the revenue we receive from sponsorship from discount ticket days and advertising of Sony digital projectors.

### ***Cost of Sales***

Our principal cost of sales is the cost of renting the films that we show from film distributors, which fluctuates with box office revenue due to the fact that rental costs are generally paid as a percentage of box office revenue. Our film rental costs are generally higher for successful films and can also vary according to the length and value of a film's run. Film rental rates vary by country and can vary on a film-by-film and on a cinema-by-cinema basis.

The second largest component of cost of sales is the cost of purchasing concession products from our various suppliers.

Other elements of cost of sales include marketing, royalties and authors' rights costs, credit card charges and 3D licensing fees.

### ***Administrative Expenses***

Our administrative expenses include both cash and non-cash items. Our cash administrative expenses are significant, and include property-related costs including rent, staff costs, utility costs, equipment rental payments, repairs and maintenance, IT and other expenses, such as head office costs. Non-cash items primarily comprise depreciation of tangible fixed assets and amortization of goodwill.

### ***Interest Payable and Similar Charges***

Interest payable and similar charges comprise interest payable, financing fees and similar financing charges. Interest payable includes both cash interest paid to third party lenders, and also non-cash rolled up interest which is incurred on shareholder loans and added to principal each year rather than paid as cash interest.

### ***Tax Charge***

The charge for taxation is based on our profit or loss on ordinary activities, and takes account of taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes. The most significant such difference is the treatment of "capital expenditure," for which depreciation allowable for taxation purposes (called capital allowances in the United Kingdom) differs from depreciation for accounting purposes.

### **Consolidated results of operations — VEIL**

The following table presents the consolidated profit and loss account for VEIL for the periods presented. This section and the offering memorandum presents financial statements for both the Issuer and VEIL, as the

Issuer was not incorporated until May 2, 2013 and did not acquire the entire share capital of VEIL until August 8, 2013.

	VEIL				
	39 week period ended August 28, 2014 <sup>(4)</sup>	39 week period ended August 29, 2013	52 week period ended November 28, 2013	53 week period ended November 29, 2012	49 week trading period ended November 24, 2011 <sup>(1)</sup>
	(£ in thousands)				
	(Restated)				
<b>Turnover</b> . . . . .	<b>415,211</b>	<b>389,323</b>	<b>518,219<sup>(3)</sup></b>	<b>376,915</b>	<b>281,088</b>
Cost of sales . . . . .	(157,338)	(146,870)	(193,734)	(140,524)	(99,874)
Administrative expenses . . . . .	(239,413)	(224,001)	(307,628)	(218,358)	(165,974)
<b>Operating profit</b> . . . . .	<b>18,460</b>	<b>18,452</b>	<b>16,857</b>	<b>18,033</b>	<b>15,240</b>
Interest receivable and similar income . . . . .	165	164	184	124	86
Interest payable and similar charges . . . . .	(55,516)	(78,312)	(83,975)	(56,790)	(46,110)
<b>Loss on ordinary activities before taxation</b> . . . . .	<b>(36,891)</b>	<b>(59,696)</b>	<b>(66,934)</b>	<b>(38,633)</b>	<b>(30,784)</b>
Tax charge . . . . .	(3,536)	(4,695)	(3,083)	(2,616)	(2,646)
Minority interests . . . . .	(330)	(216)	(396)	(175)	—
<b>Loss for the financial period</b> . . . . .	<b>(40,757)</b>	<b>(64,607)</b>	<b>(70,413)</b>	<b>(41,424)</b>	<b>(33,430)</b>
EBITDA <sup>(4)</sup> . . . . .	64,702	59,422	72,335	64,303	53,588
Adjusted EBITDA <sup>(4)</sup> . . . . .	65,489	64,905	76,410	66,773	55,852
Adjusted EBITDA Margin (%) <sup>(4)</sup> . . . . .	15.8	16.7	14.7	17.7	19.9
EBITDAR <sup>(4)</sup> . . . . .	140,210	129,386	166,249	132,115	102,823
Adjusted EBITDAR <sup>(4)</sup> . . . . .	140,997	134,869	170,324	134,585	105,087

(1) Covers the 56 weeks from the date of incorporation of VEIL to November 24, 2011, but of which only 49 weeks included trading results.

(2) Includes CinemaxX from the date of its acquisition on August 7, 2012, and Apollo from the date of its acquisition on May 10, 2012.

(3) Includes Multikino turnover of £13.2 million from the date of its acquisition, which was September 30, 2013.

(4) EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, EBITDAR and Adjusted EBITDAR are supplemental measures of our financial and operating performance used by management that are not required by, or prepared in accordance with, U.K. GAAP or IFRS. These measures are prepared by management because they are believed to provide a view of our recurring operating performance that is unaffected by our capital structure and allows management to readily view operating trends and identify strategies to improve operating performance. The EBITDA measures presented may not be comparable to similarly titled measures used by other companies. We encourage you to review our financial information in its entirety and not to rely on a single financial measure. See "Presentation of Financial and Other Information — Other Financial Measures" for an explanation of certain limitations to the use of these measures. For a reconciliation of each of the above measures to our Consolidated Financial Statements, see "Summary Historical Financial Information and Operating Data."

## Results of operations of VEIL for the 39 weeks ended August 28, 2014 and August 29, 2013

### Turnover

The following table sets forth VEIL's consolidated turnover and certain operational data as of and for the 39 weeks ended August 28, 2014 and August 29, 2013. The financial and other information for the

39 weeks ended August 29, 2013 does not include any results of operations from Multikino, which was acquired on September 30, 2013.

	VEIL	
	As of and for the 39-week periods ended	
	August 28, 2014	August 29, 2013
	(£ in thousands)	
<b>Total turnover</b> . . . . .	<b>415,211</b>	<b>389,323</b>
<b>Operational data</b>		
Average ticket price <sup>(1)</sup> (£) . . . . .	6.09	6.56
Total admissions <sup>(2)</sup> (in millions) . . . . .	45.0	40.6
Total revenue per person <sup>(4)</sup> (£) . . . . .	9.22	9.59
Total concession spend per person <sup>(3)</sup> (£) . . . . .	2.08	2.13
Number of cinemas <sup>(5)</sup> . . . . .	150	117
Number of screens <sup>(5)</sup> . . . . .	1,359	1,089

(1) Calculated as total box office revenue in the period (net of VAT), divided by total admissions in the period.

(2) Includes paid and unpaid admissions in the period.

(3) Calculated as total concession revenue for the period, as consolidated at VEIL (net of VAT), divided by total admissions in the period.

(4) Calculated as total turnover for the period, as consolidated at VEIL (net of VAT), divided by total admissions in the period.

(5) Presented as the number at period end.

Turnover increased by £25.9 million, or 6.7%, to £415.2 million in the 39 weeks ended August 28, 2014 from £389.3 million in the 39 weeks ended August 29, 2013. This increase was entirely the result of the acquisition of Multikino in September 2013. Revenue increased as a result of increased admissions, despite a lower average ticket price and concession spend per person as Multikino has a lower average ticket price, a lower total concession spend per person, and a lower total revenue per person; consequently, the acquisition of Multikino resulted in a decrease in these metrics for the Group.

Excluding the contribution from Multikino, turnover in our existing business in the United Kingdom and Continental Europe, decreased by £24.1 million, or 6.2%, to £365.2 million in the 39 weeks ended August 28, 2014 from £389.3 million in the 39 weeks ended August 29, 2013, principally due to a reduction in admissions resulting from a weaker film slate during the 39 weeks ended August 28, 2014, compared to a strong performance for films such as *The Hobbit: An Unexpected Journey*, *Despicable Me 2* and *Les Misérables* during the 39 weeks ended August 29, 2013 and also due to the impact of the FIFA World Cup in June and July 2014, which had an adverse impact on admissions.

Excluding the contribution from Multikino, concession revenues decreased as a result of lower total admissions, partially offset by increased concession spend per person, reflecting the continuance of pricing and operational initiatives across all markets.

Advertising revenue in our existing business was flat, while other income decreased primarily as a result of a fall in corporate sales relating to the weak film slate in the 39 weeks ended August 28, 2014.

#### *Segment analysis for the 39 week periods ended August 28, 2014 and August 29, 2013*

The following table sets forth turnover for our United Kingdom, Continental Europe and other markets segments in the 39 weeks ended August 28, 2014 and August 29, 2013. The financial information for the Continental Europe segment includes a full 39 weeks from Multikino in the 39 weeks ended August 29,

2014. The 39 weeks ended August 29, 2013 does not include any results of operations from Multikino, which was acquired on September 30, 2013.

	VEIL	
	As of and for the 39 week periods ended	
	August 28, 2014	August 29, 2013
	(£ in thousands)	
<b>Total U.K. turnover</b>	221,774	234,199
<b>Total Continental Europe turnover</b>	187,639	148,702
Other markets turnover	5,798	6,422

United Kingdom turnover decreased by £12.4 million, or 5.3%, to £221.8 million in the 39 weeks ended August 28, 2014 from £234.2 million in the 39 weeks ended August 29, 2013, principally due to lower admissions, partially offset by increased average ticket prices and concession spend per person.

Continental Europe turnover increased by £38.9 million, or 26.2%, to £187.6 million in the 39 weeks ended August 28, 2014 from £148.7 million in the 39 weeks ended August 29, 2013. This increase was entirely due to the acquisition of Multikino on September 30, 2013. Excluding turnover from Multikino, Continental Europe turnover in the existing business decreased by £11.1 million, or 7.5%, to £137.6 million in the 39 weeks ended August 28, 2014 from £148.7 million in the 39 weeks ended August 29, 2013, principally due to decreased admissions.

Turnover from other geographical markets decreased by £0.6 million, or 9.4%, to £5.8 million in the 39 weeks ended August 28, 2014 from £6.4 million in the 39 weeks ended August 29, 2013, due to a decrease in admissions, average ticket price and concession spend per person in Taiwan.

#### *Cost of Sales*

Cost of sales increased by £10.4 million, or 7.1%, to £157.3 million in the 39 weeks ended August 28, 2014 from £146.9 million in the 39 weeks ended August 29, 2013. This increase was primarily due to additional cost of sales from the acquisition of Multikino on September 30, 2013, which diluted our gross profit margin. Excluding the cost of sales from Multikino, cost of sales in our existing business decreased by £10.6 million, or 7.2%, to £136.3 million in the 39 weeks ended August 28, 2014, principally due to lower film rental costs, driven by lower total admissions and decreased box office revenue, as a result of a weaker film slate.

#### *Administrative expenses*

Administrative expenses increased by £15.4 million, or 6.9%, to £239.4 million in the 39 weeks ended August 28, 2014 from £224.0 million in the 39 weeks ended August 29, 2013. This increase was primarily due to the acquisition of Multikino on September 30, 2013. Excluding the administrative expenses from Multikino, administrative expenses in our existing business decreased by £7.2 million, or 3.2%, to £216.8 million in the 39 weeks ended August 28, 2014 from £224.0 million in the 39 weeks ended August 29, 2013, principally due to lower staff costs across our sites, as a result of lower admissions.

#### *Interest Payable and Similar Charges*

Interest payable and similar charges decreased by £22.8 million, or 29.1%, to £55.5 million in the 39 weeks ended August 28, 2014 from £78.3 million in the 39 weeks ended August 29, 2013. This decrease in interest payable and similar charges was due primarily to the impact of the 2013 Financing which occurred in July 2013, when the senior facilities agreement dated November 7, 2010 between, among others, Vue Holdings (UK) Limited and Lloyds Bank TSB plc, as amended and restated, was refinanced at the level of the Issuer by way of the Original Notes, and as a result, the interest payable by VEIL during the 39 weeks ended August 28, 2013 was no longer being incurred by VEIL.

#### *Tax charge*

Tax charge on ordinary activities decreased by £1.2 million, or 25.5%, to £3.5 million in the 39 weeks ended August 28, 2014 from £4.7 million in the 39 weeks ended August 29, 2013. This decrease in tax charge on ordinary activities was primarily the result of the impact on the Group's results of a reduction in the effective tax rate on profits from Continental Europe operations.

**Results of operations of the Issuer for the 39 weeks ended August 28, 2014 as compared to VEIL for the 39 weeks ended August 28, 2014**

The following table sets forth the results of operations for both the Issuer and VEIL for the 39 weeks ended August 28, 2014.

	39 week period ended August 28, 2014		
	Issuer	VEIL	Difference
	(£ in thousands)		
<b>Turnover</b>	<b>415,211</b>	<b>415,211</b>	<b>—</b>
Cost of sales	(157,338)	(157,338)	—
Administrative expenses	(254,632)	(239,413)	(15,219)
<b>Operating profit</b>	<b>3,241</b>	<b>18,460</b>	<b>(15,219)</b>
Interest receivable and similar income	167	165	2
Interest payable and similar charges	(62,789)	(55,516)	(7,273)
<b>Loss on ordinary activities before taxation</b>	<b>(59,381)</b>	<b>(36,891)</b>	<b>(22,490)</b>
Tax charge	(3,536)	(3,536)	—
Minority interest	(330)	(330)	—
<b>Loss for the financial period</b>	<b>(63,247)</b>	<b>(40,757)</b>	<b>(22,490)</b>

The Issuer was incorporated on May 2, 2013 for the purpose of acquiring VEIL on August 8, 2013. Consequently, a comparison can only be made for the 39 weeks ended August 28, 2014 between the Issuer and VEIL.

The Issuer's only material assets and liabilities are its interest in all of the issued and outstanding shares of VEIL and its outstanding indebtedness incurred in connection with the 2013 Transactions. With respect to differences in the results of operations; (i) the difference in administrative expenses between the Issuer and VEIL relate primarily to the amortization of goodwill in connection with the consolidation of VEIL by the Issuer, and (ii) the difference in interest payable and similar charges is due to the incremental cash interest payable and amortisation of related debt issuance costs on the indebtedness incurred in connection with the 2013 Transactions.

**Results of operations of VEIL for the 52 weeks ended November 28, 2013 and 53 weeks ended November 29, 2012**

*Turnover*

The following table sets forth VEIL's consolidated turnover and certain operational data as of and for the 52 weeks ended November 28, 2013 and 53 weeks ended November 29, 2012:

	VEIL	
	52 week period ended November 28, 2013	53 week period ended November 29, 2012
	(£ in thousands, unless otherwise indicated)	
<b>Turnover</b>	<b>518,219<sup>(2)</sup></b>	<b>376,915<sup>(1)</sup></b>
<b>Operational data<sup>(3)</sup></b>		
Average ticket price <sup>(4)</sup> (£)	6.46	5.89
Total admissions <sup>(5)</sup> (in millions)	53.9	46.2
Total concession spend per person <sup>(6)</sup> (£)	2.15	1.93
Total revenue per person <sup>(7)</sup> (£)	9.62	8.15
Number of Cinemas <sup>(8)</sup>	149	119
Number of Screens <sup>(8)</sup>	1,348	1,085

(1) Includes turnover for CinemaxX from the date of its acquisition, which was August 7, 2012, and for Apollo from the date of its acquisition, which was May 10, 2012.

(2) Includes turnover from Multikino of £13.2 million from the date of its acquisition, which was September 30, 2013.

(3) Reflects data from Apollo and CinemaxX from the dates of each entity's respective acquisition.

(4) Calculated as total box office revenue in the period (net of VAT), divided by total admissions in the period.



- (5) Includes paid and unpaid admissions in the period.
- (6) Calculated as total concession revenue for the period, as consolidated at VEIL (net of VAT), divided by total admissions in the period.
- (7) Calculated as total turnover for the period, as consolidated at VEIL (net of VAT), divided by total admissions in the period.
- (8) Presented as the number at period end.

Turnover increased by £141.3 million, or 37.5%, to £518.2 million in the 52 weeks ended November 28, 2013 from £376.9 million in the 53 weeks ended November 29, 2012. This increase was due primarily to a full year of turnover from CinemaxX and Apollo for the 52 week period ended November 28, 2013 and additional turnover from the acquisition of Multikino on September 30, 2013. The inclusion of CinemaxX and Multikino increased admissions by 12.4 million, which was partially offset by a reduction in admissions in the United Kingdom following the success of *Skyfall* in the prior period. CinemaxX had a higher average ticket price, concession spend per person and total revenue per person, and as a result, the full year inclusion of CinemaxX in the 52 weeks ended November 28, 2013 resulted in an increase in these metrics across the Group.

Excluding the contribution from Multikino, turnover in our existing business increased by £128.1 million, or 34.0%, to £505.0 million in the 52 weeks ended November 28, 2013, principally due to a full year of turnover from CinemaxX, which delivered incremental revenue of £130.8 million.

Concession revenues in our existing business increased in the 52 weeks ended November 28, 2013 as a result of the inclusion of a full year of revenue from CinemaxX and Apollo.

Advertising revenue in our existing business also increased in the 52 weeks ended November 28, 2013, as a result of the full year inclusion of advertising revenue from CinemaxX and Apollo.

#### *Segment analysis for the 52 weeks ended November 28, 2013 and the 53 weeks ended November 29, 2012*

The following table sets forth turnover for our United Kingdom, Continental Europe and other markets segments in the 52 weeks ended November 28, 2013 and 53 weeks ended November 29, 2012:

	52 week period ended November 28, 2013	53 week period ended November 29, 2012
	(£ in thousands)	
<b>Total U.K. turnover</b> . . . . .	<b>300,728</b>	<b>303,262<sup>(1)</sup></b>
<i>Turnover from existing operations</i> . . . . .	196,336	66,939 <sup>(2)</sup>
<i>Turnover from Multikino</i> . . . . .	13,245 <sup>(3)</sup>	—
<b>Total Continental Europe turnover</b> . . . . .	<b>209,581</b>	<b>66,939</b>
Other markets turnover . . . . .	7,910	6,714

(1) Includes turnover from Apollo from the date of its acquisition, which was May 10, 2012.

(2) Includes turnover from CinemaxX from the date of its acquisition, which was August 7, 2012.

(3) Includes turnover from Multikino from the date of its acquisition, which was September 30, 2013.

United Kingdom turnover decreased by £2.6 million, or 0.9% to £300.7 million in the 52 weeks ended November 28, 2013, from £303.3 million in the 53 weeks ended November 29, 2012. This decrease was due primarily to a reduction in admissions following the success of *Skyfall* in the prior period, which was partially offset by an increase in average ticket price and a full year of turnover from Apollo.

Continental Europe turnover increased by £142.7 million to £209.6 million in the 52 weeks ended November 28, 2013 from £66.9 million in the 53 weeks ended November 29, 2012. This increase was due primarily to a full year of turnover from CinemaxX and the acquisition of Multikino on September 30, 2013. Excluding turnover from Multikino, Continental Europe turnover in the existing business, increased by £129.4 million to £196.3 million in the 52 weeks ended November 28, 2013 from £66.9 million in the 53 weeks ended November 29, 2012, as a result of a full year of turnover from CinemaxX, which contributed 10.7 million additional admissions and a higher average ticket price.

Turnover from other geographical markets increased by £1.2 million, or 17.9%, to £7.9 million in the 52 weeks ended November 28, 2013 from £6.7 million in the 53 weeks ended November 29, 2012. This

increase was a result of increased admissions, average ticket price and concession spend per person in Taiwan.

#### *Cost of Sales*

Cost of sales increased by £53.2 million, or 37.9%, to £193.7 million in the 52 weeks ended November 28, 2013 from £140.5 million in the 53 weeks ended November 29, 2012. This increase was due primarily to a full year of cost of sales from CinemaxX and Apollo and a partial year of cost of sales from Multikino.

Concession cost of goods sold also increased due to the inclusion of a full year from CinemaxX and Apollo and a partial year of costs from Multikino after its acquisition on September 30, 2013. Concession cost of goods sold was flat in the rest of the business.

#### *Administrative Expenses*

Administrative expenses increased by £89.2 million, or 40.8%, to £307.6 million in the 52 weeks ended November 28, 2013 from £218.4 million in the 53 weeks ended November 29, 2012. This increase was due primarily to a full year of administrative expenses from Apollo and CinemaxX.

Staff costs increased by £25.0 million, or 52.0%, to £73.1 million in the 52 weeks ended November 28, 2013 from £48.1 million in the 53 weeks ended November 29, 2012. The average number of employees rose to 7,072 during the 52 weeks ended November 28, 2013 as compared to 3,940 during the 53 weeks ended November 29, 2012. This was as a result of the Multikino acquisition and the full year impact of the acquisitions of Apollo and CinemaxX. These increases were partly mitigated by staffing efficiencies enabled by the digital screen roll-out in our existing business, which resulted in a decline in staff costs per admission as digital screens do not require projectionists.

#### *Interest Payable and Similar Charges*

Interest payable and similar charges increased by £27.2 million, or 47.9%, to £84.0 million in the 52 weeks ended November 28, 2013 from £56.8 million in the 53 weeks ended November 29, 2012. This increase was due primarily to the additional debt relating to the acquisition of CinemaxX.

#### *Tax charge*

Tax charge on loss on ordinary activities increased by £0.5 million, or 19.2%, to £3.1 million in the 52 weeks ended November 28, 2013 from £2.6 million in the 53 weeks ended November 29, 2012. An explanation of these changes may be found in the notes to our audited consolidated financial statements for the 52 week period ended November 28, 2013.

**Results of operations of VEIL for the 53 weeks ended November 29, 2012 and the 49 trading weeks ended November 24, 2011**

*Turnover*

The following table sets forth our turnover from existing business and acquired entities and certain operational data for the 53 weeks ended November 29, 2012 and 49 trading weeks ended November 24, 2011:

	53 week period ended November 29, 2012	49 week trading period ended November 24, 2011 <sup>(1)</sup>
	(£ in thousands, unless otherwise indicated)	
<b>Total turnover</b> . . . . .	<b>376,915<sup>(2)</sup></b>	<b>281,088</b>
<b>Operational data<sup>(3)</sup></b>		
Average ticket price <sup>(4)</sup> (£) . . . . .	5.89	5.49
Total admissions <sup>(5)</sup> (in millions) . . . . .	46.2	36.1
Total concession spend per person <sup>(6)</sup> (£) . . . . .	1.93	1.81
Total revenue per person <sup>(7)</sup> (£) . . . . .	8.15	7.78
Number of Cinemas <sup>(8)</sup> . . . . .	119	71
Number of Screens <sup>(8)</sup> . . . . .	1,085	699

(1) Covers the 56 weeks from the date of incorporation of VEIL to November 24, 2011, but of which only 49 weeks included trading results.

(2) Includes turnover from CinemaxX from the date of its acquisition, which was August 7, 2012, and from Apollo from the date of its acquisition, which was May 10, 2012.

(3) Reflects data from Apollo and CinemaxX from the dates of each entity's respective acquisition.

(4) Calculated as total box office revenue in the period (net of VAT), divided by total admissions in the period.

(5) Includes paid and unpaid admissions in the period.

(6) Calculated as total concession revenue for the period, as consolidated at VEIL (net of VAT), divided by total admissions in the period.

(7) Calculated as total turnover for the period, as consolidated at VEIL (net of VAT), divided by total admissions in the period.

(8) Presented as the number at period end.

Turnover increased by £95.8 million, or 34.1%, to £376.9 million in the 53 weeks ended November 29, 2012 from £281.1 million in the 49 trading weeks ended November 24, 2011. This increase was due primarily to additional turnover from the acquisitions of CinemaxX in August 2012 and Apollo in May 2012. The acquisition of CinemaxX resulted in increases to our average ticket price, total concession spend per person, and total revenue per person, as CinemaxX benefits from higher average prices than our existing business.

Excluding the contributions from CinemaxX and Apollo, turnover in our existing business increased by £28.6 million, or 10.2%, to £309.7 million in the 53 weeks ended November 29, 2012, principally due to an increase in box office revenue. This increase in box office revenue in our existing business primarily reflects attendance from a full 53 weeks of trading in the 53 weeks ended November 29, 2012, compared to only 49 weeks of trading in the 56 weeks ended November 24, 2011 and the impact of opening Stratford in September 2011, which increased our screens by 17 and contributed an entire year of turnover in the 53 weeks ended November 29, 2012. Box office revenue in our existing business also grew due to strong average ticket price growth resulting from our strategic pricing initiatives and customary price increases, and favorable movement from a reduced proportion of discount tickets. The increase in box revenue was partially offset by weaker summer admissions in 2012 as a result of an underperforming summer film slate (films such as *John Carter* and *Battleship* performed poorly) and lower demand during the London 2012 Olympics and Paralympics and the 2012 European football championship.

Concession revenues in our existing business also increased in the 53 weeks ended November 29, 2012, from a slight increase in total concession spend per person and the increase from 49 to 53 weeks of trading.

Advertising revenue in our existing business also increased in the 53 weeks ended November 29, 2012, due to the combined impact of Digital Cinema Media's ("DCM") conversion to digital operations and the impact of *Skyfall*, which attracted significant advertising revenues, as well as the increase from 49 to 53 weeks of trading.

*Segment analysis for the 53 weeks ended November 29, 2012 and the 49 trading weeks ended November 24, 2011*

The following table sets forth turnover for our United Kingdom, Continental Europe and other markets segments in the 53 weeks ended November 29, 2012 and the 49 trading weeks ended November 24, 2011:

	53 week period ended November 29, 2012	49 week trading period ended November 24, 2011 <sup>(1)</sup>
	(£ in thousands)	
<b>Total U.K. turnover</b> . . . . .	<b>303,262<sup>(2)</sup></b>	<b>259,940</b>
<b>Total Continental Europe turnover</b> . . . . .	<b>66,939<sup>(3)</sup></b>	<b>14,251</b>
Other markets turnover . . . . .	6,714	6,897

(1) Covers the 56 weeks from the date of incorporation of VEIL to November 24, 2011, but of which only 49 weeks included trading results.

(2) Includes turnover from Apollo from the date of its acquisition, which was May 10, 2012.

(3) Includes turnover from CinemaxX from the date of its acquisition, which was August 7, 2012.

United Kingdom turnover increased by £43.4 million, or 16.7%, to £303.3 million in the 53 weeks ended November 29, 2012 from £259.9 million in the 49 trading weeks ended November 24, 2011. This increase was due partially to the additional turnover generated as a result of the acquisition of Apollo in May 2012. Excluding turnover from Apollo from May 10, 2012, U.K. turnover in the existing business increased by £31.7 million, or 12.2%, to £291.7 million in the 53 weeks ended November 29, 2012 from £259.9 million in the 49 trading weeks ended November 24, 2011, principally due to the reasons provided above.

Continental Europe turnover increased by £52.6 million to £66.9 million in the 53 weeks ended November 29, 2012 from £14.3 million in the 49 trading weeks ended November 24, 2011. This increase was due primarily to the acquisition of CinemaxX in August 2012. Excluding turnover from CinemaxX from August 7, 2012, Continental Europe turnover in the existing business, decreased by £2.9 million, or 20.6%, to £11.3 million in the 53 weeks ended November 29, 2012 from £14.3 million in the 49 trading weeks ended November 24, 2011.

Turnover from other geographical markets decreased by £0.2 million, or 2.9%, to £6.7 million in the 53 weeks ended November 29, 2012 from £6.9 million in the 49 trading weeks ended November 24, 2011.

#### *Cost of Sales*

Cost of sales increased by £40.6 million, or 40.6%, to £140.5 million in the 53 weeks ended November 29, 2012 from £99.9 million in the 49 trading weeks ended November 24, 2011. This increase was due primarily to the increase in turnover from Apollo and CinemaxX, and Apollo and CinemaxX also incurred a higher cost of sales as a percentage of turnover than the existing business. Excluding the impact of Apollo and CinemaxX, cost of sales in our existing business increased as a result of organic growth in box office revenue due to the performance of certain films, such as *Skyfall*, which commanded a relatively high film rental cost, and higher 3D licensing fees resulting from increasing the number of 3D screens.

Concession cost of goods sold also increased, as a result of higher concession sales. Another contributing factor to the increased cost of sales was the increase in the period from 49 to 53 trading weeks.

#### *Administrative Expenses*

Administrative expenses increased by £52.4 million, or 31.6%, to £218.4 million in the 53 weeks ended November 29, 2012 from £166.0 million in the 49 trading weeks ended November 24, 2011. This increase was due primarily to higher rentals under operating leases on cinema sites of £67.8 million, as compared to £49.2 million in the 49 trading weeks ended November 24, 2011, principally due to rental costs of Apollo and CinemaxX.

Excluding the impact of Apollo and CinemaxX, administrative expenses in our existing business increased principally due to the increase in this period from 49 to 53 trading weeks. Also contributing to the increase in administrative expenses in our existing business was a higher level of depreciation on tangible fixed assets, principally relating to the larger network of cinemas and to upgrades at Vue's U.K. cinemas. Depreciation increased to £30.2 million as compared to £24.9 million in the 49 trading weeks ended November 24, 2011.

In addition, the 53 weeks ended November 29, 2012 included a full year of property rental expense and operating costs for Westfield Stratford, which opened in September 2011.

Staff costs increased by £11.9 million, or 32.9%, to £48.1 million in the 53 weeks ended November 29, 2012 from £36.2 million in the 49 trading weeks ended November 24, 2011. The average number of employees rose to 3,940 during the 53 weeks ended November 29, 2012 as compared to 3,267 during the 49 trading weeks ended November 24, 2011 as a result of the Apollo and CinemaxX acquisitions and opening Westfield Stratford. The increase in this period from 49 to 53 trading weeks also contributed to the increase in staff costs. These increases were partly mitigated by staffing efficiencies enabled by the digital screen roll-out in our existing business, which resulted in a decline in staff costs per admission as digital screens do not require projectionists.

#### *Interest Payable and Similar Charges*

Interest payable and similar charges increased by £10.7 million, or 23.2%, to £56.8 million in the 53 weeks ended November 29, 2012 from £46.1 million in the 49 trading weeks ended November 24, 2011. This increase was due primarily to the additional debt relating to the acquisitions of CinemaxX and Apollo plus interest payable on the existing shareholder loans, as well as the increase in the period from 49 to 53 trading weeks.

#### *Tax charge*

Tax charge on loss on ordinary activities remained stable at £2.6 million in the 53 weeks ended November 29, 2012 from £2.6 million in the 49 trading weeks ended November 24, 2011. An explanation of these charges may be found in note 9 of our audited consolidated financial statements for the 53 week period ended November 29, 2012.

### **Liquidity and Capital Resources**

#### **Overview**

Historically, our principal sources of liquidity have been cash flows from operating activities, which include revenues generated through box office admissions, concessions sales and screen advertising, sometimes supplemented by use of borrowings under our working capital facilities, including our Revolving Credit Facility. Our principal uses of cash are acquisitions, working capital, operating expenses such as property rent and staff costs, cinema improvements and other capital expenditures and debt servicing costs.

Following the Transactions and the application of the proceeds therefrom, the Issuer's debt service obligations will consist primarily of interest payments on the Notes and principal and interest payments on the amounts drawn under the Revolving Credit Facility. We believe that the Issuer's available cash balances, combined with the Issuer's cash flows from operating activities and borrowing capacity under the Revolving Credit Facility, will be sufficient to meet its expected general liquidity needs and debt service obligations for the next 12 months. However, the Issuer will be highly leveraged and have significant debt service obligations, and we cannot provide assurance that the Issuer's business will generate sufficient cash flows from operations to meet its liquidity needs, including making payments in the Notes or on other debt when due.

The Issuer's ability to generate cash from operations will depend on its future operating performance, which is in turn dependent on various factors, including but not limited to those described under "*Principal factors affecting results of operations and financial performance*," many of which are beyond the Issuer's control. Furthermore, the Issuer's liquidity will also be affected by the quantity, quality and timing of film releases. For example, film distributors generally release the films which they anticipate will be the most successful during the summer and Christmas holiday seasons. Consequently, we have typically generated higher turnover during such periods. Furthermore, if the Issuer's cash flow from operating activities is lower than expected, or the Issuer's capital expenditure requirements exceed our projections, the Issuer may be required to seek additional financing, which may not be available on commercially reasonable terms, if at all. The Issuer's ability to arrange financing generally and its cost of capital will depend on numerous factors, including general economic conditions, the availability of credit from banks, other financial institutions and capital markets, restrictions in the instruments governing the Issuer's debt and its general financial performance. See "*Risk Factors — Risks Relating to Our Financial Profile — Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes*" and "*Risks Relating to Our Financial Profile — We require a significant amount of*

*cash to service our debt and sustain our operations. Our ability to generate sufficient cash depends on many factors beyond our control, and we may be forced to take other actions to satisfy our debt obligations, which may not always be successful."*

We maintain cash and cash equivalents to fund the day-to-day requirements of our business. We hold cash primarily in pounds sterling and euro. As of August 28, 2014, we had £52.8 million in gross cash in hand and at bank. This is unusually high as we have retained approximately £38 million to repay the majority of the Bridge Loan. As of August 28, 2014, we also had €5.2 million (£4.1 million) of cash in CinemaxX, which is restricted cash for rental deposits held in relation to certain of the Group's cinema sites.

### **Outstanding Indebtedness**

As of August 28, 2014, total net third-party borrowings were £477.8 million, which was comprised of third-party debt of £540.0 million, net of capitalized issue costs of £13.5 million and cash at the bank and in hand of £48.8 million, which excludes restricted cash of £4.1 million relating to rental deposits held in relation to certain cinema sites.

Following the completion of the Transactions, the Issuer will continue to be highly leveraged and have significant debt service obligations. As of August 28, 2014, on a *pro forma* basis for the Transactions, the Issuer would have had approximately £583.5 million of third party borrowings (which includes capitalized issue cost), of which approximately £586.3 million would have been represented by the Notes.

We anticipate that the Issuer's high leverage will continue for the foreseeable future. Following the Transactions, we expect that the Issuer's principal sources of liquidity will be cash flow from operations, cash at bank and the Revolving Credit Facility. For further information regarding liquidity arrangements, please refer to the section entitled "*Description of certain financing arrangements.*"

### **Cash Flow Summary**

The following table summarizes the principal components of our consolidated cash flows for the periods presented:

	Issuer	VEIL			
	39 week period ended August 28, 2014	39 week period ended August 29, 2013 <sup>(3)</sup>	52 week period ended November 28, 2013 <sup>(3)</sup>	53 week period ended November 29, 2012 <sup>(3)</sup>	49 week trading period ended November 24, 2011 <sup>(1)(2)(3)</sup>
	(unaudited)				
	(£ in thousands)				
Net cash inflow from operating activities . . .	61,474	46,518	53,079	62,040	30,731
Net cash outflow from returns on investments and servicing of finance . . .	(36,967)	(17,783)	(18,900)	(24,020)	(11,111)
Taxation (paid) / received . . . . .	(2,647)	(1,762)	(2,214)	(1,538)	366
Net cash outflow for capital expenditure and other financial investments . . . . .	(22,558)	(17,207)	(73,944)	(139,292)	(465,826)
Net cash inflow/(outflow) from financing activities . . . . .	391	(13,172)	32,655	146,740	463,843
<b>Increase/(Decrease) in cash . . . . .</b>	<b>(307)</b>	<b>(3,406)</b>	<b>(9,324)</b>	<b>43,930</b>	<b>18,003</b>

(1) The data for VEIL for the 49 trading weeks ended November 24, 2011 does not include any amounts related to Apollo or CinemaxX, which were acquired on May 10, 2012 and August 7, 2012, respectively.

(2) Covers the 56 weeks from the date of incorporation of VEIL to November 24, 2011, but of which only 49 weeks included trading results.

(3) The data for VEIL for the 39 weeks ended August 29, 2013, 53 weeks ended November 29, 2012 and the 49 trading weeks ended November 24, 2011 does not include any amounts related to Multikino, which was acquired on September 30, 2013. The data for the 52 weeks ended November 28, 2013 include amounts relating to Multikino, effective from September 30, 2013.

### **Net cash inflow from operating activities**

Net cash inflow from operating activities consists of profit before interest and tax, as adjusted for changes in working capital and non-cash items such as depreciation and amortization.



Net cash inflow from operating activities increased by £15.0 million, or 32.3%, to £61.5 million in the 39 weeks ended August 28, 2014 from £46.5 million in the 39 weeks ended August 29, 2013, mainly due to the inclusion of a full 39 weeks from Multikino in the 39 weeks ended August 28, 2014, as well as working capital fluctuations primarily due to increased film rental accruals in the 39 weeks ended August 29, 2013. These working capital fluctuations resulted from the film rental liabilities incurred in connection with the strong performance of *Skyfall* that were accrued as of November 29, 2012 but paid in 2013. Film rental accrual movements were more in line with our normal operations in the 39 weeks ended August 29, 2014.

Net cash inflow from operating activities decreased by £8.9 million, or 14.4% to £53.1 million in the 52 weeks ended November 28, 2013 from £62.0 million in the 53 weeks ended November 29, 2012. The decrease was primarily caused by the strong performance of *Skyfall*, which resulted in higher film rental liabilities, which were accrued as of November 29, 2012 but paid in 2013, since film rental suppliers are paid after the film is shown which means that working capital will fluctuate with the quality of the film slate. This adverse working capital movement was only partly offset by the impact of Apollo and CinemaxX.

Net cash inflow from operating activities increased by £31.3 million, or 102.0%, to £62.0 million in the 53 weeks ended November 29, 2012 from £30.7 million in the 49 trading weeks ended November 24, 2011. The strong performance of *Skyfall* referred to above resulted in higher levels of accrued film rental liabilities at 29 November 2012 compared with the liabilities relating to films shown in November 2011. As a consequence net cash flows from operating activities increased primarily as the result of the acquisition of Apollo and CinemaxX, as well as the improved working capital movement on trade creditors within our existing business, and due to the presence of a full 53 weeks of trading in the 53 weeks ended November 29, 2012, compared to only 49 weeks of trading in the period ended November 24, 2011.

#### *Net cash outflow from returns on investments and servicing of finance*

Net cash outflow from returns on investments and servicing of finance consists of cash interest paid on our indebtedness, net of cash interest received on our cash and cash equivalents. Under our existing financing facilities, we can pay interest either monthly, quarterly or half-yearly. Therefore, the amount of interest paid on our existing facilities in any period depends on our choice of interest roll-up period.

Net cash outflow from returns on investment and servicing of finance increased by £19.2 million to an outflow of £37.0 million in the 39 weeks ended August 28, 2014 from an outflow of £17.8 million in the 39 weeks ended August 29, 2013, primarily due to an increase in debt resulting from the Original Notes Offering.

Net cash outflow from returns on investments and servicing of finance decreased by £5.1 million, or 21.3%, to an outflow of £18.9 million in the 52 weeks ended November 28, 2013 from an outflow of £24.0 million in the 53 weeks ended November 29, 2012, primarily due to a seven-month interest payment falling due in the January 2014, compared to a three-month interest payment made prior to November 29, 2012. The decrease was partly offset by the higher interest and a syndicate waiver fee resulting from new financing facilities relating to the acquisition of Apollo and CinemaxX in the 39 weeks ended August 28, 2013.

Net cash outflow from returns on investments and servicing of finance increased by £12.9 million, or 116.2%, to an outflow of £24.0 million in the 53 weeks ended November 29, 2012 compared to an outflow of £11.1 million in the 49 trading weeks ended November 24, 2011. This increase was due to timing of interest payments, as described above.

#### *Net cash outflow for capital expenditure and other financial investments*

Net cash outflow for capital expenditure and other financial investments consists of investments in subsidiaries, investments and disposals in property, plant and equipment and fixtures, disposals of real estate and other changes and disposals. See “— *Capital Expenditures*” below.

Net cash outflow for capital expenditure and other financial investments increased by £5.4 million to an outflow of £22.6 million in the 39 weeks ended August 28, 2014 from an outflow of £17.2 million in the 39 weeks ended August 29, 2013 due primarily to the proceeds resulting from a sale of tangible assets during the 39 weeks ended August 29, 2013 that was not repeated in the 39 weeks ended August 28, 2014. This was partially offset by a reduction in investment in tangible fixed assets in 2014, compared to 2013, as capital expenditure in the 39 weeks ended August 28, 2014 principally related to investment in existing sites and other EBITDA-enhancing projects, whereas capital expenditure in the 39 weeks ended August 29, 2013 included additional new site development.

Net cash outflow for capital expenditure and other financial investments decreased by £65.4 million, or 46.9%, to an outflow of £73.9 million in the 52 weeks ended November 28, 2013 from an outflow of £139.3 million in the 53 weeks ended November 29, 2012. This decrease was primarily due to lower levels of investment in subsidiaries, the completion of the acquisition of 91.34% of the share capital of CinemaxX in August 2012, and in September 2013, a lower investment being required to acquire 100% of the share capital of Multikino.

Net cash outflow for capital expenditure and other financial investments decreased by £326.5 million, or 70.1%, to an outflow of £139.3 million in the 53 weeks ended November 29, 2012 compared to an outflow of £465.8 million in the 49 trading weeks ended November 24, 2011. This decrease was primarily the result of lower levels of investment in subsidiaries, following the December 2010 acquisition of Vue Entertainment Investment Limited.

#### *Net cash inflow to/(outflow from) financing activities*

Net cash inflow/(outflow) from financing activities mainly consists of proceeds from borrowings, repayments from borrowings and settlement of derivatives, share repurchases and the issue of shares.

Net cash inflow from financing activities increased by £13.6 million to an inflow of £0.4 million in the 39 weeks ended August 28, 2014 from an outflow of £13.2 million in the 39 weeks ended August 29, 2013 primarily due to the repayment of the CinemaxX loans and the payment of the bank fees relating to the acquisition of CinemaxX in the 39 weeks ended August 29, 2013.

Net cash inflow from financing activities decreased by £114.0 million to £32.7 million in the 52 weeks ended November 28, 2013 from £146.7 million in the 53 weeks ended November 29, 2012. This decrease was primarily the result of the repayment of bank loan facilities and loan notes in the 52 weeks ended November 28, 2013, in connection with the Vue Acquisition and the Original Notes Offering.

Net cash inflow from financing activities decreased by £317.1 million, or 68.4%, to an inflow of £146.7 million in the 53 weeks ended November 29, 2012 compared to an inflow of £463.8 million in the 49 trading weeks ended November 24, 2011. This decrease in inflow was primarily the result of new bank loan facilities and loan notes taken out in the 49 trading weeks ended November 24, 2011, partly offset by shareholder loans taken out to fund the purchase of Apollo and CinemaxX in the 53 weeks ended November 29, 2012.

### **Working Capital**

Our working capital requirements largely arise from the seasonality of our business. The majority of our customers are members of the public visiting cinema sites, from whom cash is generally collected either on the day of their visit, or shortly thereafter through credit card settlements. Our short-term payables primarily relate to payments to film distributors, landlords for property rents, suppliers of concessions products, fixed asset suppliers and VAT. Our property rents in the United Kingdom are typically paid quarterly. Our short-term receivables include advertising income and are generally lower than our short-term payables. Our working capital is therefore generally a net creditor position.

We have historically funded our peak working capital requirements through available cash balances, funds generated from our operations, and use of our working capital facilities. During our high-volume periods, our business is highly cash-generative as our group revenue is primarily driven by admissions. The Issuer may draw upon the Revolving Credit Facility up to £50 million.

### **Capital Expenditures**

We invest our capital in order to maintain and strengthen our competitive position. Capital expenditures include:

- maintenance capital expenditures — capital expenditures for refurbishment work, including refreshing sites, installing new toilets, re-laying carpets and painting;
- EBITDA-enhancing capital expenditures — capital expenditures undertaken to increase admissions, generate incremental revenues, and achieve cost savings; and
- development capital expenditures — capital expenditures on internal site development net of landlord contributions.

The following table shows VEIL's historical capital expenditures for the periods presented.

	<b>39 week period ended</b>		<b>52 week period ended</b>	<b>53 week period ended</b>	<b>49 week trading period ended</b>
	<b>August 28, 2014</b>	<b>August 29, 2013<sup>(5)</sup></b>	<b>November 28, 2013<sup>(4)</sup></b>	<b>November 29, 2012<sup>(3)</sup></b>	<b>November 24, 2011<sup>(1)(2)(3)</sup></b>
	<b>(£ in thousands)</b>				
Payments to acquire tangible assets . . . . .	(20,324)	(24,046)	(26,850)	(23,008)	(16,219)
Landlord contributions received . . . . .	2,934	3,114	4,560	1,300	8,200
<b>Total capital expenditures (net of landlord contributions) . . . . .</b>	<b>(17,390)</b>	<b>(20,932)</b>	<b>(22,290)</b>	<b>(21,708)</b>	<b>(8,019)</b>
Proceeds from disposal of tangible assets .	—	7,243	7,243	1,515	1,653

- (1) The data for the 49 trading weeks ended November 24, 2011 do not include any amounts related to Apollo, CinemaxX or Multikino, which were acquired on May 10, 2012, August 7, 2012 and September 30, 2013, respectively.
- (2) Covers the 56 weeks from the date of incorporation of VEIL to November 24, 2011, but of which only 49 weeks included trading results.
- (3) The data for the 53 weeks ended November 29, 2012 does not include any amounts related to Multikino, which was acquired on September 30, 2013.
- (4) The data for the 52 weeks ended November 28, 2013 include amounts relating to Multikino, from September 30, 2013.
- (5) The data for the 39 weeks ended August 29, 2013 do not include any amounts related to Multikino which was acquired on September 30, 2013.

Our historical capital expenditure has related primarily to purchases of fixed assets, acquisition of assets used in cinemas, cinema refurbishment and other related costs.

In the periods under review, our historical capital expenditure (excluding maintenance capex) has related primarily to:

- the development of six new cinemas in the United Kingdom which were opened at Westfield Stratford, Halifax, Cramlington, Bicester, Glasgow Fort and Gateshead and the development of four cinemas in Poland at Lublin, Czechowice Dziedzice, Katowicie and Olsztyn;
- the full digital conversion of our United Kingdom and Irish cinemas, which began in June 2011 and was completed in summer 2012;
- in Germany and Poland, initiatives to enhance certain cinemas and implement energy-saving projects; and
- initiatives to increase admissions, such as building additional screens at the existing cinemas, and the installation of VIP seating.

For the 52 weeks ended November 28, 2013, our capital expenditures were £22.3 million (net of landlord contributions, including two months of Multikino). We expect capital expenditures in 2014 to be less than £30 million (net of landlord contributions, including the full year effect of Multikino) and in 2015 to be less than £38 million (net of landlord contributions, including The Space). Across the Group, planned EBITDA-enhancing capital expenditures include additional VIP seating, additional screens and energy-saving projects. We believe that a significant portion of our capital expenditure investments are discretionary.

For further information, see *"Risk Factors — Risks Relating to Our Business and the Industry — Acquiring or expanding existing cinemas may require additional financing, and we cannot be certain that we will be able to obtain new financing on favorable terms, or at all."*

### **Contractual obligations and commercial commitments**

The table below sets forth the Issuer's contractual obligations and commercial commitments as of August 28, 2014 that are expected to have an impact on the Issuer's liquidity and cash flow in future periods. The information presented in this table reflects management's estimates of the contractual payment streams

of its current obligations as of August 28, 2014, giving *pro forma* effect to the Financing, which may differ significantly from the actual payments made under these obligations.

	Payments due by period				Total
	Less than 1 year	1 – 4 years	5 – 7 years	More than 7 years	
	(£ in thousands)				
Notes offered hereby <sup>(1)</sup>	—	—	586,308	—	586,308
Revolving Credit Facility <sup>(2)</sup>	8,619	—	—	—	8,619
FFA Loan <sup>(3)</sup>	134	233	27	1	395
Finance lease obligations <sup>(4)</sup>	1,558	4,494	2,030	360	8,442
Operating lease obligations <sup>(5)</sup>	124,606	374,662	341,681	691,413	1,532,362
<b>Total third-party debt<sup>(6)</sup></b>	<b>134,120</b>	<b>379,389</b>	<b>929,773</b>	<b>691,774</b>	<b>2,135,056</b>

(1) Including the Original Notes and the Additional Notes as well as principal payments in respect of the Additional Notes offered hereby. See “Description of the Notes.”

(2) Represents drawings under the £50 million Revolving Credit Facility. See “Description of Certain Financing Arrangements — Revolving Credit Facility”. As of August 28, 2014, £4.0 million was outstanding under the Revolving Credit Facility, the proceeds of which were used in connection with certain working capital requirements. In connection with the Transactions, we anticipate that we will utilize an additional £4.6 million under the Revolving Credit Facility to fund the purchase of The Space and to manage certain seasonal working requirements.

(3) Represents an interest free loan provided by the German Federal Film Board.

(4) Consists of payments under our finance leases.

(5) Consists of payments under our operating leases for various property and equipment and primarily represent minimum payments under cinema and office lease agreements. This includes obligations relating to The Space as of August 28, 2014.

(6) Does not include *pro forma* borrowings under the Issuer Loan, Bridge Loan and the New Issuer Loan and does not include third-party debt relating to The Space, other than operating leases as disclosed in note (5) above.

The table does not include outstanding purchase contracts with product suppliers, payments due under arrangements relating to provisions of services, maintenance (including Information Technology), cleaning and utilities, contingent liabilities or local working capital facilities entered into in the ordinary course of business.

In the normal course of business, we make various commitments to purchase goods and services from specific suppliers, including commitments to contractors, service providers and suppliers related to our capital expenditure. As of August 28, 2014, we had contractually committed approximately £14.5 million to our capital expenditure programs.

## Off Balance Sheet Obligations

As of August 28, 2014, we do not have any off-balance sheet arrangements other than operating leases, as set forth in the table above (see “— Liquidity and Capital Resources — Contractual obligations and commercial commitments”) disclosed in the notes to our Consolidated Financial Statements and summarized in “— Contractual Obligations and Commercial Commitments.”

## Group Cash Management

Cash management is managed closely with weekly cash forecasts, predicting receipts and payments by business segment. Any surplus cash not required to service our working capital, debt or our capital expenditure program is invested in short-term money market or bank deposit accounts. Surplus cash is swept, where possible, by Group finance to minimize drawings on our Revolving Credit Facility.

### Intercompany Funding

Whenever finance requirements become necessary within the Group, we attempt to address the necessary financing from internal sources before seeking outside financing. This intercompany funding is effected either through intercompany loans or equity injections, with the form of investment depending on the subsidiary's circumstances and country-specific company law. We have established intercompany loans between most of our U.K. and international operating businesses.

## **Qualitative and Quantitative Disclosure about Market and Operating Risk**

We are exposed to various market and operating risks, including interest rate, credit, liquidity and foreign exchange rate risks associated with our underlying assets, liabilities, forecast transactions and firm commitments. Our overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial position and performance. Management is responsible for managing exposure to market risk that arises in connection with operations and financial activities, including interest rate, credit, liquidity and foreign exchange rate risks.

Furthermore, we are exposed to liquidity risks relating to credit risks and market risks or a weakening of business or financial market disturbances.

The following sections discuss our most significant exposures to market risk. The following discussions do not address other risks that we face in the normal course of business.

### ***Interest Rate Risk***

We are exposed to floating interest rates, as a result of the Original Floating Rate Notes and the Additional Notes. We manage our net exposure to interest rate risk through the proportion of fixed rate financial debt and variable rate financial debt in our total financial debt portfolio. To manage this mix, we may enter into interest rate swap agreements, in which we exchange periodic payments based on a notional amount and agreed upon fixed and variable interest rates and into forward contracts, in which we exchange fixed amounts of foreign currency and fixed amounts of euro.

Our financial liabilities issued at floating rates, including the floating rate notes issued as part of the Original Notes, will expose us to cash flow interest rate risk, while financial liabilities issued at fixed rates expose us to fair value interest rate risk. To manage the exposure to changes in interest rates and to lower the overall costs of financing, we will consider using interest rate swaps to exchange the interest rate exposure on a portion of the indebtedness from a floating interest rate to a fixed interest rate or from a fixed interest rate to a floating interest rate, as applicable. Such instruments may not cover our full exposure to interest rate risks. We will also consider hedging our obligations under the Revolving Credit Facility, as appropriate.

On August 8, 2013, the Group entered into two swaps, each with a notional value of €115.9 million and a termination date of July 15, 2016. Under these swaps, the Group receives or pays interest depending on whether the variable rate (based on EURIBOR) is greater or less than the fixed rates of 1.147% and 1.027% for each swap, respectively. See the notes to the consolidated financial statements of the Issuer as of and for the 52 week period ended November 28, 2013 for further detail.

### ***Credit risk***

Credit risk is the risk of financial loss arising from the counterparty's inability to repay or service debt in accordance with the contractual terms. Credit risk includes both the direct risk of default and the risk of a deterioration of creditworthiness, as well as concentration risks. Although we are generally in a net credit position and have limited operation credit risk (see "*Working Capital*" above), we believe we have appropriate credit policies, procedures and authorization guidelines in place to manage and monitor credit risk.

Credit risk relating to cash and cash equivalents, derivative financial instruments and financial deposits and money market funds arises from the risk that the counterparty becomes insolvent and, accordingly, is unable to return the deposited funds or execute the obligations under the derivative transactions as a result of the insolvency. To mitigate this risk, wherever possible we conduct transactions and deposits funds with investment-grade rated financial institutions and monitor and limit the concentration of transactions with any single party.

### ***Foreign exchange risk***

Our reported results of operations and financial condition are affected by exchange rate fluctuations due to both transaction and translation risks. Given our increasing focus on non-U.K. markets and the recent volatility of other currencies against pounds sterling, the effect of exchange rate fluctuations on our reported

results of operations could increase over time. Our exposure to currency exchange rate fluctuations is of several types, as summarized below:

- Transaction risk arises when our subsidiaries execute transactions in a currency other than their functional currency. On a consolidated basis, we consider the Group's transaction foreign exchange risk to be low, primarily as a result of the natural hedge of our foreign currency income and expenses.
- Our Consolidated Financial Statements are prepared in pounds sterling. We are therefore exposed to translation risk on the preparation of our Consolidated Financial Statements when we translate the financial statements of our subsidiaries which have a functional currency other than pounds sterling. A portion of our assets, liabilities, revenue and costs are denominated in various currencies other than pounds sterling, principally euro (from CinemaxX Germany operations, Portugal (through the site's closure in July 2014) and Ireland and, from the completion of The Space Acquisition, from The Space operations in Italy), and in złoty, lats and litas from Multikino operations. As a result, our consolidated results of operations, which are reported in pounds sterling, are affected by currency exchange rate fluctuations. During the 39 weeks ended August 28, 2014, we generated 48.9% of our revenue in pounds sterling, 37.6% in euro, 12.0% in złoty and 1.4% in other currencies. Strength in pounds sterling will reduce the reported results of operations of our non-U.K. businesses and conversely weakness in pounds sterling will increase the reported results of operations of our non-U.K. businesses. These transactions could affect the comparability of our results between financial periods or result in changes to the carrying value of our assets, liabilities and shareholders' equity. A 5% fluctuation in pounds sterling to euro exchange rate, with all other variables held in constant, would have resulted in a £1.1 million to £1.2 million impact on our operating profit for the 52 weeks ended August 28, 2014.

We do not currently hedge our foreign currency exposure.

### ***Liquidity Risk***

Liquidity risk, also called funding risk, is that we may have difficulty in obtaining funds in order to be able to meet both our day-to-day operating requirements and our debt servicing obligations (interest and debt repayment).

We monitor our liquidity requirements and mitigate liquidity risk by ensuring we maintain sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

Cash flow forecasting is performed by management of our operating entities which is consolidated by our finance team. These rolling forecasts are monitored to ensure our cash and liquidity requirements are sufficient to meet operational needs while maintaining sufficient headroom on our undrawn committed borrowing facilities. This enables our management to monitor compliance with borrowing limits and debt covenants on our borrowing facilities.

### **Critical accounting policies**

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

Assumptions, estimates and judgments are based on historical experience and on various other factors that management believes to be reasonable in the circumstances. Actual results may differ from these estimates under different assumptions or conditions. Our significant accounting policies are set out in the notes to the Consolidated Financial Statements included in note 1 to the Consolidated Financial Statements.

### ***Revenue recognition***

Revenue is reported net of sales tax, such as value added tax and comprises primarily ticket and concession sales and screen advertising income. Revenue from ticket sales is reported in the period in which the film is shown. Income from screen advertising guaranteed income is recognized evenly over the period to



which it relates. Other screen advertising income is recognized as generated via contracts with third party sales houses. Concession revenue is recognized at the time of sale.

### ***Impairment of fixed assets***

The need for any fixed asset impairment provision is assessed by comparison of the carrying value of an income generating unit, which normally comprises the portfolio of cinemas that operate within a market place, against a value in use or net realizable value that is lower than the net book value. The value in use has been calculated using a discounted cash flow methodology in accordance with applicable Financial Reporting Standards.

The discounting rate used in assessing the value in use of the assets is the estimated weighted average cost of capital employed by us, adjusted as necessary for any particular risks of the subsidiary being reviewed. The weighted average cost of capital employed by us has been calculated as the weighted average of the internal rate of return applied in the equity funding and our bank debt interest rate.

There have been no significant impairments made of fixed assets. However, events or circumstances could arise which may result in a theater's asset carrying value to not be recoverable.

### ***Intangible assets***

Goodwill is the difference between the aggregate of the fair value of those separately identifiable assets and liabilities acquired and the fair value of the purchase consideration.

Goodwill is capitalized and amortized over its useful life, which in the opinion of the directors is 20 years. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

### ***Pensions***

Pension contributions (which are made to a defined contribution Group Personal Pension Plan) are charged to the profit and loss account as incurred. These contributions are invested separately from the Group's assets.

### ***Operating lease arrangements***

Operating lease rentals are charged to the profit and loss account as incurred. Lease incentives are amortized over the shorter of the period to the next rent review date or over the remaining term of the lease.

### ***Finance lease arrangements***

Where we enter into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease." The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future installments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element, which reduces the outstanding obligation for future installments.

### ***Current and deferred taxation***

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantially enacted at the balance sheet date, together with any adjustment in respect of tax payable for previous periods. Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognized only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

***Pre-opening and initial cinema development expenses***

In accordance with accounting pronouncement Urgent Issues Task Force (“UITF”) Abstract 24 — “Accounting for Start up Costs,” pre-opening costs are written off in the period in which they are incurred.

Expenditure of a capital nature, as set out in Financial Reporting Standard (“FRS”) 15 — “Tangible Fixed Assets,” is capitalized from the date on which the Board approves the development of the cinema site.

***Onerous leases***

Provision is made for onerous leases where it is considered that the unavoidable costs of the lease obligations are in excess of the economic benefits expected to be received by it. The unavoidable costs of the lease reflect the net cost of exiting from the contract and are measured as the lower of the net present value of the cost of continuing to operate the lease and any penalties or other costs of exiting from it.

## BUSINESS

### Overview

We believe we are Europe's third largest cinema operator by number of screens with operations predominantly in the United Kingdom, Germany and Poland. We have grown our portfolio through a combination of new cinema developments and acquisitions of cinemas in the United Kingdom and internationally. We currently operate 150 cinemas with 1,359 screens located across eight countries, and upon completion of The Space Acquisition, we will operate 186 cinemas with 1,721 screens located across nine countries. We believe our cinema portfolio in the United Kingdom represents the newest, most modern chain of cinemas in the country. In the United Kingdom, 98.8% of our cinemas are multiplexes, 95.9% have stadium seating that provides unobstructed views of the screen and all are fully digital. In the United Kingdom, all of our cinemas use Sony Digital Cinema 4K digital projection technology, which provides four times the resolution of 2K digital projectors. We have a broad reach in the United Kingdom and we estimate that over 65% of the population lives within a 30-minute drive of a Vue cinema. According to IBOE/Rentrak, our GBOR market share in the United Kingdom was approximately 23.4% for the 52 weeks ended November 28, 2013 and 22.8% for the 39 weeks ended August 28, 2014. We operate five of the top 20 grossing box office cinemas in the United Kingdom, with a strong presence in the key London and West End markets, including our Westfield London site which was the highest grossing box office cinema in the United Kingdom for the 52 weeks ended November 28, 2013 and the 39 weeks ended August 28, 2014.

We have leveraged our strong operational knowledge and experience with successful integrations of acquisitions to enter new European markets through selective strategic acquisitions of leading cinema operators. These European markets are generally more fragmented and less developed than the United Kingdom and we believe they offer opportunities for consolidation and growth. In August 2012, we established our presence in Germany and Denmark through the acquisition of CinemaxX, Germany's second largest cinema operator by number of screens (excluding Cineplex Group, a co-operative of independent operators) currently and at the time of the acquisition of CinemaxX. Our cinemas in Germany are typically situated in premium city center locations within the 20 largest German cities where population densities are highest. We believe that all of our German cinemas offer state-of-the-art facilities; for example, all of our cinemas in Germany have 4K digital projection technology. We also recently expanded into Poland, Latvia and Lithuania through the acquisition of Poland's second largest cinema operator by number of screens, Multikino, in September 2013. Approximately 94% of Multikino's cinemas are multiplexes and all are fully digital. In addition, we operate a 14-screen cinema in Dublin, Ireland and a 16-screen cinema in Taipei, Taiwan, each of which is a multiplex cinema and has stadium seating. We also recently signed a sale and purchase agreement for The Space, Italy's largest cinema operator by admissions and GBOR, operating 36 multiplex cinemas with 362 fully digital screens. We expect The Space Acquisition to close on or about the Issue Date.

On a pro forma basis, assuming The Space Acquisition had occurred on August 30, 2013, our Adjusted EBITDA for the 52 weeks ended August 28, 2014 would have been £99.6 million. See *"Presentation of Financial and Other Information — Other Financial Measures."*

### Our Competitive Strengths

We believe the following competitive strengths allow us to compete in our markets:

#### ***A Leading Market Position in Highly Attractive European Markets***

We believe we are Europe's third largest cinema operator by number of screens, operating in eight countries and, after completion of The Space Acquisition, nine countries, with a market leading presence in both Western and Eastern Europe. We believe our diverse geographic presence positions us to take advantage of the stability of markets in Western Europe while also offering the ability to capitalize on growing markets in Eastern Europe. The majority of our existing cinemas are located in the United Kingdom, Germany and Poland, which are the largest, third largest and twelfth largest cinema markets in Europe by GBOR, respectively, as of 2013. Italy is the fourth largest cinema market in Europe by GBOR. We are one of the top three cinema operators in the United Kingdom by GBOR and the second largest cinema operator by number of screens in Germany. In Poland, Multikino is the second largest cinema operator as measured by number of screens. According to Dodona Research, in the United Kingdom, total market GBOR grew from approximately £944 million in 2009 to approximately £1,083 million in 2013. According to IBOE/Rentrak, GBOR declined to £694.1 million in the thirty-four weeks ended August 28, 2014 (a decrease of 4.2% compared to the corresponding period in 2013). In Germany, according to Dodona Research, total market

GBOR grew from approximately €976 million in 2009 to approximately €1,023 million in 2013. According to IBOE/Rentrak, GBOR declined slightly to €589.7 million in the eight months ended August 31, 2014 (a decrease of 3.2% compared to the corresponding period in 2013). According to Dodona Research, in Poland, total GBOR decreased from approximately PLN 681 million in 2009 to approximately PLN 665 million in 2013. According to Boxoffice.pl, GBOR recovered to PLN 458.0 million in the thirty-five weeks ending September 4, 2014 (an increase of 4.2% compared to the corresponding period in 2013). Despite recent declines in total market GBOR in the United Kingdom, Germany and Poland, we believe these markets should continue to grow and provide opportunities for increasing our revenue. In Italy, The Space is the second largest cinema operator, in terms of GBOR, and total market GBOR in Italy decreased from €664.1 million in 2009 to €646.3 million in 2013, according to Dodona Research.

Our operations in multiple attractive European markets provide us with certain economies of scale and the benefits of operating leverage across markets. We believe our multi-territory presence across these markets mitigates film revenue fluctuations and improves our negotiating position with our key commercial counterparties, including film distributors, concessions suppliers, landlords, technology providers and advertisers who we believe consider us a valuable and important partner. We believe that our established relationships have enabled us to secure commercially attractive contract terms with leading international suppliers. For example, in 2013, we extended our relationship with Sony Digital Cinema outside of the United Kingdom to Germany and Denmark, where they have provided their 4K digital technology to our CinemaxX cinemas. In addition, we have recently completed an international tender to leverage our European size to get the best possible lamp pricing, and we are currently in the middle of an international tender for 3D glasses across all territories. We are now Sony Digital Cinema's largest customer outside of the United States. We believe the available choices, flexibility and caliber of our commercial partners enhance our consumer offering, brand image and positioning.

### ***Conveniently Located, High Quality Venues and Modern, State-of-the-Art Cinema Facilities***

We believe our cinemas are well-located to maximize potential admissions. For example, we estimate that over 65% of the population in the United Kingdom lives within a 30-minute drive of a Vue cinema. We also have cinemas in the United Kingdom that are situated in flagship commercial locations with high foot fall, such as Westfield London, Westfield Stratford City and Leicester Square. In Germany, our cinemas are typically situated in premium city center locations within the 20 largest German cities where population densities are highest. In Poland, Multikino has four sites in densely populated Warsaw, with a total of 16 sites in the 10 most populous cities in Poland, based on Poland Central Statistical Office population data as of December 31, 2013. The Space has cinemas in the Northern, Central and Southern regions of Italy. Approximately three-quarters of its box office revenues were generated in Northern and Central Italy in 2013. The Space has cinemas in many of Italy's major cities and conurbations, including Rome, Milan, Naples, Florence, Bologna, Parma, Bari and just outside of Venice.

We believe that we operate one of the most modern and technologically advanced cinema portfolios in Europe. In the United Kingdom, 98.8% of our cinemas are multiplexes, which allows for greater film flexibility in terms of time, format and selection and provides certain cost efficiencies as employee staffing per screen in multiplexes is typically lower as compared with non-multiplex cinemas. In the United Kingdom, 95.9% of our screens have stadium seating that provides unobstructed views of the screen, and all of our cinemas are fully digital, providing consistent presentation quality to customers and greater flexibility in terms of content for cinema operators. Across the Group, 97.3% of our cinemas are multiplexes and 97.6% of our screens have stadium seating. In addition, we believe that the average age of our cinemas in the United Kingdom is lower than that of our primary competitors. In the United Kingdom, a fiber roll-out is currently underway that will connect all sites with high capacity links to improve resilience and speed, in order to support the processing of customer transactions and exchange of corporate data. There are no current plans to deliver films via this network. In Germany, we have continued to invest in refurbishment in recent years and, in July 2013, completed the process of upgrading all of our German cinemas to 4K digital projection technology. In the United Kingdom, we also have developed a proprietary premium large format screen, Vue Xtreme, which allows us to show large-screen content without paying royalties and licensing fees for alternative branded large-screen technology. We are in the process of replacing our current 3D equipment supplier RealD with Sony 3D and Masterimage in the United Kingdom and Germany. This will allow us to own our 3D equipment rather than leasing it from a third party which will be more cost effective for the Group. The Space cinemas are fully digitalized, and as of June 30, 2014, 94% of its cinemas are multiplexes, 99% of its cinemas have stadium seating and 40% of its screens are 3D-enabled.

## ***Proven Operational Excellence***

We apply a rigorous and analytical approach to our cinema operations where we focus on revenue enhancement and cost optimization. For example, we constantly review our ticket pricing structure and believe we have been able to increase our box office revenue in our cinemas in the United Kingdom through changes to our pricing strategy, such as the introduction of “peak” and “off-peak” pricing and the introduction of our “Super Tuesday” offer. Our pricing strategy also entails increasing pricing flexibility by cinema location based on variables including time of day, day of the week and type of customer for each film, resulting in ticket price increases in certain circumstances and in increased use of discounts in others. We aim to maximize revenue by offering premium propositions, such as VIP seating, for customer segments that value these elements while selectively using discounts, such as “Kids AM” to drive admissions volume. These strategies have positively impacted our average ticket price. We also analyze film scheduling in order to deliver the “right” film, on the “right” screen at the “right” time in order to achieve optimal attendance. We systematically test our film scheduling changes, which have driven increases in our admissions and box office revenue while decreasing variable staff costs as compared to a control group of our cinemas.

We have also improved our cost structure by applying certain management principles and practices across our business and our newly acquired companies when integrating them into the Group. For example, we have applied a disciplined approach to our cost components by employing competitive tendering processes for both capital expenditures and for supply costs. We also seek to manage our staff costs in order to match, to the extent possible, staffing levels with admissions levels. We also renegotiate our lease costs where possible and have achieved cost savings at certain sites in the United Kingdom, Germany and Poland. We have also invested in energy savings initiatives to reduce electricity and other utility costs across our cinemas in all territories as well as optimizing costs by leveraging our pan-European platform to establish strong relationships with key suppliers such as Sony Digital Cinema.

For the 52 weeks ended November 28, 2013, our capital expenditures were £22.3 million (net of landlord contributions, including two months of Multikino). We expect capital expenditures in 2014 to be less than £30 million (net of landlord contributions, including the full year effect of Multikino) and in 2015 to be less than £38 million (net of landlord contributions, including The Space). We believe a significant portion of our capital expenditure investments is discretionary.

## ***Track Record of Profitable Growth***

We have grown our cinema portfolio through a combination of organic growth and acquisitions across geographies. Since November 2005, we have developed 21 new cinemas with 200 screens in the United Kingdom. We believe we have been able to maximize operating results in terms of total admissions, average ticket price, concession spend per person and return on investment by strategically selecting the “right” place, building the “right” size and paying the “right” rent for our new builds. For example, our cinemas range from larger cinemas such as Vue Stratford City in London, which is a 17-screen, 63,500 square-foot, state-of-the-art multiplex as part of an approximately £1.5 billion commercial development project for the 2012 London Olympics, to smaller cinemas such as Vue Halifax, which is a 9-screen, 27,100 square-foot cinema located within an approximately £55 million mixed use development project in Halifax town center. As a result of this rigorous approach to capital expenditure, during the period from 2006 through 2013, we have progressively reduced the average number of years to pay back our initial investment in new cinema developments. In Italy, we believe our acquisition of The Space will bolster our growth track record, as The Space’s admissions market share grew by 5.3% between 2010 and 2013, according to Dodona Research.

We have extensive experience and a successful track record of value accretive acquisitions. These acquisitions have allowed us to consolidate in our existing markets and expand into new markets in Europe that are attractive because they remain fragmented and have significant growth potential. We believe our selective and disciplined approach to acquisitions has resulted in tangible operating performance gains for our acquisitions. We apply strict criteria when evaluating target acquisitions, which need to demonstrate

clear financial and strategic logic in terms of payback targets and investment hurdles, and a potential for operational improvement and accelerated growth. The table below summarizes our acquisitions since 2003.

<b>Name</b>	<b>Location</b>	<b>Date</b>	<b>No. of cinemas</b>	<b>No. of screens</b>
Warner Village Cinemas . . . . .	United Kingdom	May 2003	36	353
Cinemark . . . . .	United Kingdom	April 2004	2	17
Independent Operator (Accrington) . . . . .	United Kingdom	August 2004	1	4
Independent Operator (Oxford) . . . . .	United Kingdom	April 2005	1	9
Ster Century . . . . .	United Kingdom and Ireland	May 2005	7	86
Village Roadshow . . . . .	United Kingdom	June 2006	5	35
Hoyts (Wood Green) . . . . .	United Kingdom	December 2009	1	6
Apollo . . . . .	United Kingdom	May 2012	14	83
Cinemax <sup>(1)</sup> . . . . .	Germany and Denmark	August 2012	34	292
Multikino . . . . .	Poland, Lithuania and Latvia	September 2013	30	246
The Space (pending) <sup>(2)</sup> . . . . .	Italy	November 2014	36	362

(1) Includes one cinema with 10 screens in Raschplatz, Germany, which CinemaxX previously managed and was acquired as of January 1, 2013.

(2) We expect that the Space Acquisition will close on or about the Issue Date.

### ***Attractive Business Model with Strong Revenue and Cash Generation Capabilities***

We believe our business model is attractive with strong revenue and cash generation capabilities due to our critical position in the film distribution chain and the film industry's historic resilience. Cinema operators are an integral component of revenue generation for film distributors. According to the British Film Institute 2013 Statistical Yearbook, approximately 27% of a film's total revenue in the United Kingdom is earned in cinemas. According to the National Association of Theatre Owners, the amount of time a film is exclusively licensed for cinematic display prior to licensing for other distribution channels has generally stabilized over the last five years leading to a more stable and predictable revenue stream. Furthermore, a successful cinema release supports a film's revenue generation in channels after its initial theatrical release, such as DVD, Blu-ray, pay-per-view and cable.

We believe attending the cinema remains one of the most popular and affordable out-of-home entertainment options for consumers. The market has been relatively resilient even during economic downturns. For example, based on GDP data from the IMF and GBOR data from the Cinema Exhibitors' Association and the Germany Federal Film Board, as real GDP decreased in the United Kingdom and Germany, respectively, between 2007 and 2009, GBOR increased over the same period in both these markets. We believe our conveniently located, state-of-the art cinemas, as well as our strong market positions in the United Kingdom, Germany and Poland, have enabled us to maintain stable and consistent cash flows in those markets. In addition, we offer premium propositions to customers, such as VIP seating, 3D and our premium large format screens, Vue Xtreme, to generate revenue, while selectively using discounts to drive admissions volume. As a result, our average admissions levels and average ticket prices have remained relatively stable, including during the most recent economic downturn. In Italy, upon completion of The Space Acquisition, we plan to introduce VIP seating and certain concession offerings, including pick-and-mix confectionary, in addition to pricing initiatives, CRM improvements and utility efficiencies.

### ***Experienced Founder-led Senior Management Supported by Committed Shareholders***

We were founded by our CEO, Tim Richards. Tim was joined by our deputy CEO, Alan McNair, in 1999 and our COO, Steve Knibbs, in 2003. This senior management team has over 80 years of combined experience in the film industry and has grown the Company from six cinemas at the end of 2002 to 187 cinemas, after completion of The Space Acquisition. Prior to The Space Acquisition, this team has also successfully integrated over 130 acquired sites since the founding of the Company. Our senior management remains significantly invested in the company and has reinvested at each stage of ownership change. We will continue to derive further benefit from the experience and financial support of OMERS and AIMCo, two of the largest and most experienced institutional investors in Canada, who both have extensive operational experience in Europe and North America.



## **Our Strategy**

### ***Continue to Focus on Operational Discipline and Excellence Across our Cinema Portfolio***

We have emphasized data-driven analytical rigor throughout our organization, and intend to continue to do so, in order to make sound, evidence-based, informed decisions at all levels. We believe this has been a key strength in the past and we plan to continue to extend these best-practices to our acquired cinemas in Germany, Denmark, Poland, Latvia, Lithuania and, upon completion of The Space Acquisition, Italy.

We will continue to focus on our operational strengths where historically we have been successful. For example, in 2012, in order to improve film scheduling, we analyzed and identified key drivers and conducted controlled scheduling trials at 24 cinemas in the United Kingdom for nine weeks. As a result, we were able to implement strategic changes that increased admissions and revenue at these cinemas while decreasing variable staff costs. We then rolled out these film scheduling strategies throughout our United Kingdom cinemas, and in 2014, we have been conducting further film scheduling improvement trials in both the United Kingdom and Germany to help us deliver the “right” film, on the “right” screen, at the “right” time, which we believe will help us to increase profitability. We believe this analytical testing approach to film scheduling should allow us to continue to increase profit across all of our operations. In Poland, we are implementing strategic trials to test the success of VIP seating and the Xtreme premium large-screen format. We have also reviewed the capital expenditure involved in planned new site developments in Poland, which have resulted in improvements in the projected returns on these new sites. We are also implementing new approaches to film scheduling in Poland, which we believe will increase revenues as we will be able to Schedule films during optimal time slots. In Italy, upon completion of The Space Acquisition, we plan to implement a number of operational improvements, including adding VIP seating and occupancy controls for air conditioning units in certain sites.

We also intend to continue to apply a disciplined approach to all of our cost components. We have controlled our costs through a combination of competitive tendering processes, for both capital expenditures and for supply costs, which we intend to apply across our entire cinema portfolio. For example, we have recently begun to renegotiate leases to reduce property occupancy costs which will help us secure tenancy at key sites that are expected to deliver good long-term revenue generation. We also plan to continue our flexible staffing strategy to adjust employee-related costs in response to variations in admissions levels and to continue to invest in energy savings initiatives to reduce electricity and other utility costs across our cinemas. We also plan to renegotiate lease terms to reduce rental costs where possible. We believe we can continue to apply these costs strategies across our historical cinema portfolio and implement these practices across our acquired cinemas. We also intend to continue to incentivize certain managers and staff with bonuses based on profitability.

### ***Pursue Growth Opportunities***

We are focused on cash flow maximization and enhancing our industry leadership. We plan to pursue growth opportunities from our existing cinemas by attracting new customers and maximizing revenue from existing customers, opening new cinemas in the near term. We will also continue to evaluate and pursue selective acquisitions, such as The Space Acquisition.

We seek to provide a wide range of customer propositions from value offers to premium offers in order to both attract new customers and maximize revenue from existing customers. We plan to continue to deliver an innovative cinema experience, with packaged, branded and tailored offerings supported by high quality standards that drive and protect revenue streams. For example, in the United Kingdom, we have “Kids AM” for children as well as “Over 18s Screenings” for adults. We also intend to continue screening film and alternative content to improve utilization generally in periods of low film demand and to provide unique content offerings for customers, such as opera, concerts, ballet and sporting events, such as the 2014 FIFA World Cup, at premium pricing levels. We are also working on implementing CRM initiatives across our markets through which we will target promotions and marketing to customers based on their past cinema-going and purchasing activities to ensure a tailored cinema experience for our customers.

We believe a key component in customer choice is having easily accessible cinema locations with good public transport links and plentiful car parking. In our new sites, we seek to develop cinemas in locations with complementary services, such as in retail malls with restaurants and other leisure activities. We actively monitor new cinema developments and maintain a shortlist of potential locations. We are also investigating the feasibility across all markets of developing smaller multiplexes in areas with catchments of less than

100,000 people. In the 52 weeks ended November 29, 2013, we opened five new sites, totalling 36 screens. In the 52 weeks ended August 28, 2014, we opened four new sites totaling 31 screens.

We intend to continue to apply rigorous analytics of local catchment population, propensity to visit the cinema, income levels and local competition to ensure each cinema's configuration closely matches market capacity of the catchment area. We also believe that our experiences managing landmark cinemas, such as Westfield London, Westfield Stratford City and Leicester Square, and our experience in lease negotiation and capital expenditure control should enable us to minimize development costs to achieve superior payback periods on new cinemas.

We will continue to seek value-enhancing growth based on disciplined and sustainable strategies, including the careful evaluation, selection and pursuit of strategic opportunities throughout Europe. As with our acquisitions in the United Kingdom, Germany, Poland and Italy, we may seek to acquire cinema operators in Europe or elsewhere where we believe we can realize attractive returns on investment and generate significant free cash flow. We believe that certain markets in Europe remain fragmented and with our proven track record of identifying and integrating acquisitions successfully, we are well-placed to take advantage of strategic opportunities.

### ***Provide an Exceptional Cinema Experience Delivered by Friendly and Helpful Cinema Staff***

We aim to be the first choice for cinema entertainment in our markets. We seek to continue to differentiate our cinema experience by expanding and improving our customer propositions. In addition to location and price, we believe that customers also choose cinemas based on the quality of the cinema experience. We are focused on creating a consistent brand image, synonymous with a state-of-the-art cinematic experience. We are also focusing on customer satisfaction in terms of ease of booking tickets, premium viewing options and offering a wide range of concessions.

As the film industry produces franchise blockbusters that take advantage of premium formats such as 3D, we believe we can gain customers with our modern, state-of-the-art stadium-seated cinemas with digital technology such as Sony Digital Cinema 4K, which differentiates our cinema offering from less modern cinemas. We plan to continue to provide 3D formats and Vue Xtreme, which has premium large format screens and enhanced sound systems and have completed our digital investment with Sony Digital Cinema to provide 4K technology to our customers in Germany and Denmark. We are also currently considering the opportunity to introduce IMAX screens into certain of our cinemas in the United Kingdom, Germany and Denmark during 2015.

We also plan to continue our emphasis on customer choice in terms of pricing, film selection and amenities. For example, we intend to continue offering across our cinema portfolio premium pricing options such as VIP seating where customers can enjoy larger, more luxurious seating in prime locations in the auditorium, as well as customer discount propositions such as "Kids AM" and "Super Tuesday" offers in the United Kingdom. In addition, we intend to continue to offer customer propositions like internet booking and mobile applications that allow customers greater flexibility and ease in purchasing their tickets across our cinemas. We plan to continue to emphasize customer satisfaction and focus on training and motivating our employees to provide an exceptional cinema experience. For example, we have cinema incentive plans that reward employees based on cinema profitability and customer service standards. We also provide our cinema employees with a modular training program that covers all aspects of running a cinema, including cinema management, in order to provide better customer service. Additionally, in order to gain critical customer insight, we employ a number of internal and external sources that provide detailed pictures of customer behavior, trends and attitudes. Listening to customers and understanding their behavior is core to our ability to deliver successful new offers, enhance existing offers and to better predict demand in the future. We actively track customer service metrics to check we are delivering high quality service to our customers with our friendly and helpful staff. We intend to extend these customer-focused training and tracking initiatives to our newly acquired cinemas.

### **History**

We were founded by our CEO, Tim Richards, in 1998. Tim's business partner, deputy CEO, Alan McNair joined him in 1999. Both had extensive prior senior management experience in the cinema industry in the United Kingdom and internationally. The company was set up as Spean Bridge International Cinemas (SBC) with the support of Boston Ventures, a venture capital fund, and by the end of 2002, had opened four cinemas in the United Kingdom, and one in each of Portugal and Taiwan.

In 2003, SBC acquired Warner Village Cinema's UK circuit, which comprised 36 cinemas with 353 screens. Funds for the acquisition were provided by the existing investors and new investors. Following this acquisition, SBC changed its name to Vue Entertainment and became the operator of the second largest cinema chain by number of screens in the United Kingdom. The combined 400-screen state-of-the-art stadium seating multiplex cinema portfolio including the flagship Leicester Square cinema was fully rebranded as "Vue" within six months. The Vue portfolio continued to grow both organically and through a series of acquisitions including the acquisition of Ster Century in 2005, which at the time operated the highest grossing cinema in the United Kingdom and Ireland at the Liffey Valley Shopping Centre in Dublin.

In 2006, we completed a management buyout backed by Bank of Scotland Integrated Finance and simultaneously acquired the five cinemas we had been managing under contract for Village Roadshow. Between 2006 and the end of 2010, we developed an additional 14 cinemas in the United Kingdom, adding 133 screens to the portfolio and acquired Hoyts' 6-screen Wood Green cinema, bringing our portfolio to 70 cinemas and 679 screens.

Between 2010 through 2012, we achieved several significant milestones including opening two market-leading cinemas in London, our 14-screen cinema at Vue Westfield London in 2010 and our 17-screen cinema at Vue Westfield Stratford City in 2011, which, according to IBOE/Rentrak, were the number one and four cinemas, respectively, in the United Kingdom for the 52 weeks ended August 28, 2014, as measured by GBOR. We were acquired by Doughty Hanson at the end of 2010. In 2012, we completed the acquisition of Apollo in the United Kingdom and CinemaxX in Germany and Denmark. Apollo added nine cinemas and 56 screens in the United Kingdom (after disposal of five cinemas with 27 screens), further strengthening our position in the United Kingdom. CinemaxX represented our first significant international acquisition, adding 34 cinemas located in Germany and Denmark to our portfolio. More recently, we acquired Multikino in Poland in September 2013, giving us a market-leading presence across both Western and Eastern Europe. In the same year, OMERS and AIMCo acquired Vue through the Vue Acquisition. In 2014, we closed our loss-making site in Portugal in July 2014 and most recently entered into an agreement to acquire The Space in October 2014.

## **Our Markets and Competition**

Our principal markets are the United Kingdom, Germany and Poland. We also operate cinemas in Denmark, Ireland, Taiwan, Latvia, Lithuania and, after completion of The Space Acquisition, Italy.

Cinema remains an integral channel for distribution of films in terms of revenue for film production companies. Cinema is also vital in establishing a film's value when marketed through other channels, such as network, rental, cable and satellite television, in-home television, DVDs, video-on-demand, pay-per-view services or streaming and downloads via the Internet. Cinema has exhibited relatively limited long-term admissions volatility and has demonstrated GBOR growth over the last decade despite competing technologies and economic downturns. Additionally, GBOR has also typically been resilient to macroeconomic fluctuations. For example, based on GDP data from the IMF and GBOR data from the Cinema Exhibitors' Association and the Germany Federal Film Board, as real GDP decreased in the United Kingdom and Germany, respectively, between 2007 and 2009, GBOR increased over the same period in both these markets.

Cinemas are subject to varying degrees of competition in the geographic areas in which they operate. Competition on the individual cinema level focuses on attracting and retaining customers, and competition on the cinema operator level focuses on achieving favorable film licensing terms, pricing strategies and finding new cinemas sites. The cinema industry also faces competition for customers' leisure time and disposable income from other forms of out-of-home entertainment, including sporting events, music concerts, theater, restaurants and family leisure attractions such as theme parks. Cinemas also compete, to a lesser degree, with other in-home distribution channels for filmed entertainment, such as both broadcast and cable television, film rentals, pay-per-view and home video systems.

In Europe, the cinema and film industry are nearing the end of the process of converting from celluloid film-based media to digital media. Digital media provides a superior visual experience for customers, and allows for greater flexibility in content programming as it allows operators to present additional formats, such as digital 3D, and pre-recorded materials for corporate bookings and alternative content including sporting and cultural events. Digital media also allows for greater flexibility in scheduling as changing from one film to another, or from one content to another, is easier than with celluloid film.

## United Kingdom

The cinema market in the United Kingdom is the largest in Europe in terms of GBOR and is relatively consolidated. The top three cinema operators in the United Kingdom are Cineworld, Odeon and Vue. The market also has smaller multiplex operators and independent cinema operators, which generally operate non-multiplex cinemas. According to IBOE/Rentrak, our GBOR market share in the United Kingdom was approximately 23.4% for the 52 weeks ended November 28, 2013 and 22.8% for the 39 weeks ended August 28, 2014.

According to Dodona Research, the United Kingdom has high multiplex penetration with approximately 75% of all screens being in multiplex cinemas as of the end of 2013. Cinema operators have, in recent years, invested heavily in digital conversion, with 98.4% of screens in the United Kingdom converted to digital as of December 31, 2013, compared to 17.4% as of December 31, 2009, according to the BFI.

The table below shows GBOR, admissions, gross average ticket price and number of screens in the United Kingdom for the following periods:

Year	GBOR (£ in millions)	Admissions (in millions)	Gross Average Ticket Price (£)	Number of Screens
2008 . . . . .	850.2	164.2	5.18	3,610
2009 . . . . .	944.0	173.5	5.44	3,665
2010 . . . . .	988.3	169.2	5.84	3,671
2011 . . . . .	1,039.0	171.6	6.06	3,767
2012 . . . . .	1,099.1	172.5	6.37	3,817
2013 . . . . .	1,083.0	165.5	6.54	3,867
34 weeks ended August 28, 2014 . . . . .	694.1	103.4	6.71	N/A

Source: Dodona Research for 2008 to 2013 data. IBOE/Rentrak for the data for the 34 weeks ended August 28, 2014.

## Germany

The cinema market in Germany is the third largest in Europe in terms of GBOR and is relatively fragmented. Other than our acquisition of CinemaxX in 2012, the last significant market development in Germany was UCI Kinowelt's acquisition of KPE Multiplextheater in 2008. The top three cinema operators in Germany, according to Dodona Research, are Cinestar, CinemaxX and UCI, with a combined holding of less than a quarter of screens for the year ended December 31, 2013.

Despite significant waves of investment in the 1990s and the early 2000s with new market entrants, according to Dodona Research, multiplex penetration remains low at approximately 28% of all screens in Germany, with cinema-goers preferring more traditional high street locations that generally only have one screen. However, despite the relatively low multiplex penetration and accessibility, according to Dodona Research, multiplexes represent approximately 48% of admissions in Germany, which we believe demonstrates their attractiveness to customers and, as a result, provides an opportunity for new cinema development. The total number of screens in Germany has been decreasing as a result of the phase-out of traditional cinemas. Cinema operators in Germany continue to convert to digital technology, with now over 90% of screens utilizing digital technology. According to Dodona Research, this is expected to reach 100% by the end of 2014.

The majority of cinema admissions in Germany are to international films; however local German-language films also drive admissions. According to Dodona Research, over 100 German-language films are released each year and generally account for approximately 20% of total German admissions.

The table below shows GBOR, admissions, gross average ticket price and number of screens in Germany for the following periods:

<u>Year</u>	<u>GBOR</u> <u>(€ in millions)</u>	<u>Admissions</u> <u>(in millions)</u>	<u>Gross</u> <u>Average</u> <u>Ticket Price</u> <u>(€)</u>	<u>Number of</u> <u>Screens</u>
2008 . . . . .	794.7	129.4	6.14	4,810
2009 . . . . .	976.1	146.3	6.67	4,734
2010 . . . . .	920.4	126.6	7.27	4,699
2011 . . . . .	958.1	129.6	7.39	4,640
2012 . . . . .	1,033.0	135.1	7.65	4,617
2013 . . . . .	1,023.0	129.7	7.89	4,610
Eight months ended August 31, 2014 . . . . .	589.7	72.5	8.14	N/A

Source: Dodona Research for 2008 to 2013 data. IBOE/Rentrak for the data for the eight months ended August 31, 2014.

## **Poland**

The cinema market in Poland is the second largest cinema market in Central and Eastern Europe (excluding Turkey) by GBOR and is relatively consolidated, according to Media Salles. The top three cinema operators in Poland are Cinema City, Multikino and Helios, combined accounting for approximately 85% of admissions, according to Dodona Research.

According to Dodona Research, as of December 2013, approximately 66% of all screens are in multiplex cinemas in Poland, with approximately 75% of screens having now been converted to digital technology, including all screens in the cinemas of the top three operators. Admissions have generally increased in line with increasing multiplex accessibility according to Dodona Research.

The majority of cinema admissions in Poland are to international films, however local Polish-language films also drive admissions, which, on average, account for approximately 20% of admissions, according to Dodona Research. Each of the three main cinema operators, including Multikino, also distributes Polish-language films to the market.

The table below shows GBOR, admissions, gross average ticket price and number of screens in Poland for the following periods:

<u>Year</u>	<u>GBOR</u> <u>(PLN in millions)</u>	<u>Admissions</u> <u>(in millions)</u>	<u>Gross</u> <u>Average</u> <u>Ticket Price</u> <u>(PLN)</u>	<u>Number of</u> <u>Screens</u>
2008 . . . . .	548.0	33.8	16.21	1,043
2009 . . . . .	681.3	39.2	17.38	1,061
2010 . . . . .	703.0	37.5	18.75	1,076
2011 . . . . .	716.2	38.7	18.51	1,122
2012 . . . . .	711.3	38.5	18.48	1,100
2013 . . . . .	665.2	36.3	18.64	972
35 weeks ended September 4, 2014 . . . . .	458.0	25.1	18.23	N/A

Source: Dodona Research for 2008 to 2013 data. Boxoffice.pl for the data for the 35 weeks ended September 4, 2014.

## **Italy**

The cinema market in Italy is the fourth largest in Europe by admissions and GBOR, according to The International Union of Cinemas. Despite the merger of Medusa Multicinema and Warner Village in October 2009 to create The Space, The Space's acquisitions of Planet Cinemas in October 2010 and of Cinecity in December 2010, and UCI's acquisition of UGC in May 2011 and a small number of sites from Giometti in June 2011, the market remains highly fragmented, according to Dodona Research. The top two cinema operators in Italy, according to Dodona Research, are The Space and Odeon UCI, with a combined admissions market share of 35.2% and a combined GBOR market share of 37.9% for the year ended December 31, 2013, with The Space holding 17.7% of admissions market share and 19.1% of GBOR market share during this period.

The total number of screens in Italy has been increasing steadily since 2000 as a result of the roll-out of multiplex sites, which has been partly offset by the replacement and closure of small independent operators. Despite the roll-out of multiplex sites, according to IHS Global Limited, Dodona Research and IMF, Italy

remains relatively under-screened, with 6.5 screens per 100,000 of the Italian population, and has low admissions per capita (1.8 admissions per 100,000 of the Italian population) relative to other European countries, including the United Kingdom and France. Cinema operators in Italy continue to convert to digital technology, with only 73.8% of screens in Italy converted to digital as of December 31, 2013, according to IHS Global Limited.

The majority of cinema admissions in Italy are for international films; however, local Italian-language films also drive admissions, to a greater extent than in the United Kingdom, Germany and Poland. According to ANICA and IHS Global Limited research, between 2008 and 2013, an average of 150 Italian-language films were released each year and generally accounted for, on average, 29% of total Italian admissions.

The table below shows GBOR, admissions, gross average ticket price and number of screens in Italy for the following calendar years:

<b>Year</b>	<b>GBOR (€ in millions)</b>	<b>Admissions (in millions)</b>	<b>Gross Average Ticket Price (€)</b>	<b>Number of Screens</b>
2008 . . . . .	636.7	111.0	5.73	3,847
2009 . . . . .	664.1	109.2	6.08	3,879
2010 . . . . .	772.8	120.6	6.41	3,803
2011 . . . . .	697.2	112.1	6.22	3,840
2012 . . . . .	637.1	100.1	6.36	3,860
2013 . . . . .	646.3	106.7	6.06	3,820

Source: Dodona Research

## Our Cinemas

We currently operate 150 cinemas with 1,359 screens across eight countries, and upon completion of The Space Acquisition, we will operate 186 cinemas with 1,721 screens across nine countries. In the United Kingdom and Ireland, we operate under the Vue brand. In Germany, we operate under the CinemaxX brand, and in Poland, Latvia and Lithuania, we operate under the Multikino brand. In Taiwan, we continue to operate under our original SBC brand.

The significant majority of our cinemas are located in the United Kingdom, Germany and Poland. Denmark is managed as part of the CinemaxX portfolio of cinemas acquired in August 2012 and Taiwan is managed as part of our Vue cinema portfolio. As part of the Multikino Acquisition, we acquired a cinema in each of Latvia and Lithuania, which are managed as part of the Multikino portfolio of cinemas.

Below is a summary of our cinemas in each of the countries where we operate as of August 28, 2014, including Italy, pending completion of The Space Acquisition:

<b>Country<sup>(1)</sup></b>	<b>Brand</b>	<b>Cinemas</b>	<b>Screens</b>
United Kingdom <sup>(2)</sup> . . . . .	Vue	82	776
Italy <sup>(3)</sup> . . . . .	The Space	36	362
Germany . . . . .	CinemaxX	30	257
Poland . . . . .	Multikino	31	253
Denmark . . . . .	CinemaxX	3	28
Ireland . . . . .	Vue	1	14
Latvia . . . . .	Multikino	1	8
Lithuania . . . . .	Multikino	1	7
Taiwan . . . . .	SBC	1	16
<b>Total</b> . . . . .		<b>186</b>	<b>1,721</b>

(1) In July 2014, we closed our site in Portugal.

(2) In May 2013, we disposed of five cinemas, totalling 27 screens for operational reasons, which we had acquired in connection with acquisition of Apollo.

(3) The Space Acquisition is pending completion.



## ***The United Kingdom***

We are the third largest cinema operator in the United Kingdom by GBOR. We have grown our cinema chain in the United Kingdom through new cinema developments and strategic acquisitions. Our cinemas are also situated in flagship commercial locations with high foot fall, such as Westfield London, Westfield Stratford City and Leicester Square. For the 52 weeks ended August 28, 2014, Vue Westfield London and Vue Westfield Stratford City were the number one and four cinemas, respectively, according to IBOE/Rentrak in the United Kingdom as measured by GBOR. Our cinemas are located across the United Kingdom, with a large presence in London and other metropolitan areas. In the United Kingdom, as of August 28, 2014, 94% of our cinemas offer VIP seating where customers can enjoy larger, more luxurious seating in prime locations in the auditorium. Twelve of our UK cinemas (which is 14.6% of our cinemas in the United Kingdom, as of August 28, 2014) offer Vue Xtreme, which has larger screens and enhanced sound systems. Vue Xtreme is our proprietary premium large screen format, which we designed internally and use without having to pay royalties and licensing fees for alternative branded large-screen technology.

## ***Germany***

We are the second largest cinema operator in Germany by number of screens. Our cinemas in the German market, which operate under the CinemaxX brand, are similar to our Vue cinemas in the United Kingdom as we believe they are high quality, modern multiplexes with stadium seating. Our cinemas in Germany are in premium city center locations, and we are located in the 20 largest cities where population densities are highest. Approximately 90% of our cinemas in Germany are sites that CinemaxX designed and developed with the remainder acquired from third parties. We believe these cinemas are state-of-the-art facilities and consequently we are able to provide our customers with what we believe to be an enhanced viewing experience. In addition, in the period between 2009 and 2013, CinemaxX has spent over €30 million in refurbishment and upgrades relating to digitization, sound, seating and flooring. In Germany, we offer a number of premium options, including films in 3D (MAXXIMUM 3D), films with premium sound (MAXXIMUM Sound) and films delivered at a higher frame rate (MAXXIMUM HFR).

## ***Poland***

Multikino is the second largest cinema operator in Poland by number of screens. Multikino has been a pioneer of multiplex cinemas in Poland since 1998 when it opened Poland's first multiplex in Poznań. Most of Multikino's cinemas are located in Poland's largest cities, where it is either the first or second largest multiplex operator. As of August 28, 2014, approximately 94% of Multikino's cinemas are multiplexes and all are fully digital. We believe our Multikino cinemas are state-of-the-art facilities, with 75% of screens in Multikino cinemas being 3D-capable. Since acquiring Multikino in September 2013, we have spent over £5 million on developing new sites or upgrading existing sites. Multikino also continues to distribute films in Poland.

## ***Italy***

The Space is the largest cinema operator in Italy by admissions and GBOR market share, according to Dodona Research. The Space was formed in October 2009 following a merger between Medusa Multicinema and Warner Village Cinemas, and the latter was the first operator in Italy to roll-out multiplex cinemas. The Space has a modern, state-of-the-art cinema circuit in Italy and is well-diversified across Northern, Central and Southern Italy with six of the top ten best performing sites by admissions in 2013, according to Cinetel, including the top performing Italian cinema by admissions, Parco de Medici in Rome. The Space has a fully digitalized multiplex estate, with 99% of screens offering stadium seating and 40% of screens being 3D capable.

## **Digital Technology and 3D**

### ***Digital Technology***

We completed our 4K digital projection rollout program for our cinemas in the United Kingdom and Ireland in August 2012, and we completed our 4K digital rollout program for our cinemas in Germany and Denmark in July 2013. Multikino in Poland and The Space in Italy became fully digitalized in September 2011 and October 2012, respectively.

Digital technology provides improved presentation quality to customers and lower costs to the film distributor as a result of not having to manufacture and deliver actual physical film prints to cinema operators. To help cinema operators finance the cost of conversion to digital projection, film distributors pay fees,

generally referred to as “virtual print fees,” to operators (or third party intermediaries) based on films presented on approved digital projection platforms. Film distributors pay virtual print fees until a cost recoupment date or threshold has been reached. Multikino and The Space continue to receive the benefit of virtual print fees paid directly by film distributors while in the other regions where we operate, namely the United Kingdom and Germany, virtual print fees are received by intermediaries. In particular, we contracted with Sony Digital Cinema to convert our 35mm projection equipment in the United Kingdom and Germany to digital projection equipment. As part of the shared financing of the conversion, Sony Digital Cinema will receive virtual print fees from film distributors for the projectors for the next ten years or until they recoup their investment in the digital conversion.

We were an early adopter of 4K technology across our cinemas in the United Kingdom and Ireland through a strategic partnership with Sony Digital Cinema. 4K technology has a four-times higher pixel count than the alternative, lower quality, 2K digital technology, which provides a lower quality picture. We believe our digital proposition in the United Kingdom is technologically superior to our competitors’ 2K digital capabilities and provides us with a competitive advantage, particularly as an increasing number of movies are filmed in 4K. Furthermore, our strategic partnership with Sony Digital Cinema allowed us to secure favorable terms with attractive pricing. We extended our relationship with Sony Digital Cinema for the rollout of 4K projectors and other digital technology in our cinemas in Germany and Denmark, after the acquisition of CinemaxX in 2012, and this rollout was completed in July 2013. The roll-out of 4K projectors in Germany and Denmark was supported by the industry-wide virtual print fee arrangements with major US film distributors. The projectors are leased and subsequently paid for through virtual print fees charged to play each individual film. These arrangements are expected to last for a maximum of ten years from installation, by which time the projectors will be paid-off and wholly-owned by us.

### **3D**

In the United Kingdom, 3D has grown from six 3D films released in 2008 to 40 3D films released in 2013, with a similar number forecasted to be released in 2014. We believe that 3D film quality continues to improve as films are increasingly produced specifically for 3D. We expect the number of 3D-format films to be released in 2015 to be broadly consistent with 2013 and 2014. We believe 3D-equipped screens provide us with flexibility in film scheduling and provides our customers with increased choice. Typically, in the United Kingdom, we schedule 3D films to enable customers to choose from different film formats, such as between 2D and 3D, as well as among other films. Our investment in 3D in the United Kingdom has focused on return on investment and incremental revenue increase from 3D screen capability instead of focusing on a full 3D roll-out across all of our screens. As a result, we believe we have been able to achieve a higher 3D GBOR per 3D screen than our primary competitors.

As of August 28, 2014, 33.2% of our screens in the United Kingdom were equipped with 3D technology, which accounted for 16.6% of total box office revenues for the 52 weeks ended August 28, 2014. In Germany 65% of our screens are equipped with 3D technology and in Poland 75% of Multikino’s screens are equipped with 3D technology, as of August 28, 2014. The variation in 3D screen penetration across our cinemas is a function of legacy investment decisions while CinemaxX and Multikino were under previous ownership. In Italy, 40% of The Space screens are equipped with 3D technology.

We have recently chosen to replace our current RealD 3D equipment with competitive equipment offerings from Masterimage and Sony 3D, and we expect the equipment conversion to take place between 2014 and 2018, as our licenses with RealD expire. RealD currently have patents pending in Europe on their technology and the granting of these patents may result in patent infringement claims against Masterimage by RealD. Vue is currently negotiating an appropriate indemnity with Masterimage in respect of this potential claim by RealD against Masterimage. We believe that any disruptions resulting from this potential claim would be minimal, as we would only use this technology for a small fraction of our screens. See *“Risk Factors — Risks Relating to Our Business and Industry — Failure to adapt to future technological innovations could negatively impact our ability to compete effectively and could materially adversely affect our business, results of operations or financial condition.”*

### **Film Licensing**

We license “first-run” motion pictures on a film-by-film and cinema-by-cinema basis from both film distributors owned by major film production companies and from independent film distributors. We pay our film license costs to film distributors typically based on a percentage of box office revenue (net of value added tax), which we negotiate directly with the film distributor. Prior to negotiating terms for a film license, we

evaluate the prospects for that film. Criteria considered for each film include: cast, director, plot, performance of similar films and estimated film revenues. We believe that successful licensing depends on knowledge of the historical trends and preferences of customers in a particular market. For example, the German, Polish and Italian markets tend to generate larger demand for locally produced films. As a result, we have a film-buying director in each of our main geographical regions who chooses content and negotiates licensing terms.

### **Box Office Revenues**

Ticket sales are our largest source of revenue. We charge premiums for 3D movies and VIP seating across all of our cinemas. We also charge premiums for Vue Xtreme across all of our cinemas, with the exception of our CinemaxX cinemas in Germany and Denmark. We also charge certain premiums in Germany, as is standard in the market, for longer films or Higher Frame Rate films, such as *The Hobbit* franchise, and blockbusters such as *The Wolf of Wall Street*, *Transformers: Age of Extinction*, *300: Rise of an Empire*, *Dawn of the Planet of the Apes*. Most of our cinemas also offer discounted pricing for matinee shows, as well as for children, teens, families and senior citizens, such as our Kids AM program.

Most of our tickets are sold within the cinema immediately before the start of a film. However a growing proportion of tickets are sold in advance, either over the phone or online, including on mobile devices. For certain movies, online ticket sales can account for over 30% of those films' sales in the first weekend of release. We believe our advance sales improve customer satisfaction, allowing customers to pre-select their seat location and to pick up their tickets at automated ticket machines located in our cinemas.

### **Concession**

Concession sales are our second largest source of revenue after box office revenue. We primarily focus on traditional cinema offerings such as soft drinks, popcorn and confectionary. These items typically have a higher gross margin than ticket sales.

We design our multiplex cinemas to have more space for concessions in order to make it easier to serve large numbers of customers efficiently. We also strategically locate our concession stands within cinemas to heighten their visibility, aid in reducing queues, allow flexibility to introduce products and improve traffic flow around the concessions stands. In addition, our "ticket-at-any-till" system allows customers to purchase tickets at the concession stands, thereby increasing opportunities to sell concessions.

Examples of initiatives to increase concession sales and margins include optimizing product mix by introducing new products, product sizes and introducing combination offers, training employees to cross-sell and up-sell products, and implementing new pricing strategies and incentive schemes for employees.

### **Screen Advertising**

Screen advertising sales are our third largest source of revenue after box office revenue and concessions. We sell "on-screen" time for advertisements shown before a film starts or during intermissions for longer screenings and "off-screen" advertising which includes our billboard and foyer advertising. We also sell advertising for our website. Screen advertising is a high margin revenue stream, particularly as screen advertising continues to convert to digital formats as digital projector penetration increases and digital advertising media is more easily produced and distributed. We expect screen advertising to remain an important source of revenue for cinema operators.

In the United Kingdom, our screen advertising is sold by DCM, which is the market leader in United Kingdom for cinema advertising. DCM sells screen time and other advertising media and capabilities to advertisers on behalf of contracted operators including its shareholders, Odeon and Cineworld. In addition to screen advertising, DCM also offers sponsorship, promotion and in-foyer poster advertising services.

In Germany, we sell "on-screen" advertising both directly and through an agency, WerbeWeischer. In Poland, Multikino sells "on-screen" advertising directly through Multikino Media. In Italy, The Space sells "on-screen" advertising through an agency, PRS.

### **Alternative Content, Film Distribution and Ancillary Services**

We also offer our customers alternative media content in our cinemas. We provide live and pre-recorded content for music and sporting events, gaming and corporate presentations. In the United Kingdom, we screen content for performances from the Royal Opera House and the National Theatre. In Germany, we

screen performances from the Berliner Philharmoniker and Bolshoi theatre as well as sporting events such as the Champions League final and the Super Bowl. In Poland, Multikino has shown sporting events including the 2012 UEFA European Championship, the 2014 FIFA World Cup and the Champions League football matches and also features live gaming events. Multikino currently screens content such as operas, ballets, concerts and exhibitions, including National Theatre Live and the Young Vic. In Italy, The Space screens a range of alternative content including live and recorded opera, ballet, concerts and sporting events, and after completion of The Space Acquisition, we expect to continue screening this alternative content. Most recently, The Space has screened performances of *La Bohème* and *Tosca* from The Royal Opera House in London.

In addition, we generate other ancillary revenue through booking fees for tickets, the leasing of screens for private events and car-parking fees.

## **Marketing and Advertising**

Multimedia advertising campaigns for major film releases are organized and financed primarily by film distributors. To market our cinemas, we utilize advertisements, such as movie schedules published in newspapers and over the internet to inform our customers of film selections and show times. We also use social media for the same purpose. In the United Kingdom, we also publish a monthly free magazine, "Vue Magazine" to provide customers with information on upcoming movie releases. In addition, we seek to develop customer loyalty through a number of marketing programs. In the United Kingdom, we have discounted family and senior tickets, "Super Tuesday," where we sell discounted tickets on Tuesdays to customers who have signed up for a Super Tuesday card, "Kids AM," where we sell discounted tickets for children and adults on Saturday and Sunday mornings. In both the United Kingdom and Poland, we offer "Orange Wednesday," which allows two for one tickets for Orange customers every Wednesday. The current UK contract expires on February 28, 2015, and we are currently in discussions with a potential replacement sponsor of a similar promotion after the expiration of this contract.

We also have the CinemaxX Bonus Card in Germany and Club CinemaxX in Denmark, which provide access to exclusive benefits including rewarding spending with points that can be redeemed for tickets and concession items. In Italy, after completion of The Space Acquisition, we intend to continue to offer "Happy Monday" and "Happy Tuesday", which are promotions that offer discounted tickets for one film on Mondays and Tuesdays. After completion of The Space Acquisition, we also intend to continue The Space's offering of The Space Easycard, which is a pre-paid card that offers exclusive benefits and discounts on 2D and 3D screenings. In addition, we intend to continue participating in an industry wide scheme with H3G, an Italian mobile phone operator, similar to "Orange Wednesday" in the United Kingdom, where customers are rewarded with a card that provides free access to a specified number of screenings depending on the level of annual spend on the H3G network.

## **Information Technology**

In the United Kingdom, our information technology is based on the Vista cinema operating system. The point-of-sale terminals within each cinema in the United Kingdom provide comprehensive information to our corporate office and to our cinema management in near-real time. Reports address all aspects of cinema operations, including concessions sales, fraud detection and film booking. We gather payroll information from our cinemas in the United Kingdom through the use of automated time keeping systems, enabling a comparison of actual to budgeted labor for each cinema. Our systems allow us to properly manage our hourly workforce and schedule the right films at the best times to suit our customers.

We also operate a high traffic website, which receives approximately 6.2 million visits per month (on average for the 12 month period ended September 2014), for show times, movie news, social media and ticket reservations. Multikino and CinemaxX also operate websites that offer similar services. Our digital projection is integrated into our United Kingdom information technology operations infrastructure, which we constantly monitor remotely to maximize availability. We continue to integrate our Vista system, which is our overall operating system, and our Sony Theatre Management systems, which control the operation of all digital projectors in the circuit, to further enable operational efficiencies.

Vue cinemas use the Vista and Sony Theatre Management System as its core operational systems, CinemaxX cinemas use Compesso and the Sony Theatre Management System, and Multikino cinemas use Eurobillet and Arts Alliance Media. The Space cinemas use the CREA System. We intend to adopt a common platform across our cinemas as and when our operations justify a conversion.

## Employees

As of August 28, 2014, we employed approximately 6,710 employees (excluding The Space), of which approximately 81% were part-time and paid on an hourly wage. We seek to enable all of our employees to meet their short- and long-term goals and we are committed to their development.

In the United Kingdom and Ireland, we have cinema incentive plans that reward employees based on cinema profitability and customer service standards. We also provide our cinema employees with a modular training program that covers all aspects of running a cinema, including cinema management. In other countries, we have various elements of these initiatives in place.

In Germany, we have several works councils, one joint works council and the VERDI union. Notwithstanding the works councils in Germany, we do not operate any collective agreements in relation to our workforce and there are no trade unions or other collective bodies recognized for bargaining purposes. We believe our employee relations are good and have not experienced any material work stoppages.

In Poland, there are no unions or work councils; however, an “employee representatives” body that consists of two employees exists by virtue of Polish labor law. By law, this body has the right to raise issues and influence certain areas of the business, including remuneration policy and security regulations, although this body has not yet exercised this right. We have not experienced any work stoppages or disputes.

In Italy, The Space applies the Italian national collective bargaining agreement (*Contratto collettivo nazionale di lavoro*) (“CCNL”) to all of its employees, other than key executives. At an executive level, The Space applies the CCNL for executives of the industrial sector. These agreements include additional provisions, such as maximum probationary periods and notice periods, and minimum holiday allowances. In addition to CCNLs, collective agreements are entered into at a local level or at the level of a single operating company. These agreements provide for certain salary increases, bonuses and different regulation of working time. We believe that The Space enjoys good employee relations and has not experienced any material work stoppages.

## Properties

Most of our cinemas are occupied pursuant to leases. In the United Kingdom, generally, our cinema leases are long-term, with original terms typically ranging from 15 to 25 years with various renewal options, usually in intervals of five years. The leases often require escalating minimum rent payments either yearly or every five years. Certain leases require additional rent payments based on a percentage of the leased cinema’s revenue above a base amount. The leases also require us to pay for property taxes, maintenance, insurance and certain other property-related expenses. In Germany, some of our leases require us to give bank guarantees as collateral to landlords, and in Poland, our leases can, in certain circumstances, be terminated by the bankruptcy administrator after the landlord’s bankruptcy.

In connection with our acquisition of the Warner Village U.K. Cinema Circuit in 2003, we entered into a deed of undertaking and indemnity (the “Deed”) in favor of Time Warner Entertainment Limited (“Time Warner”) and VC Eye Pty Limited (“Village”). The Deed was entered into to offer protection to Time Warner and Village in respect of liabilities which they retained pursuant to leases of certain properties that we acquired but for which Time Warner and Village continue to be contingently liable (either as guarantor or original tenant) by virtue of U.K. law. Under the terms of the Deed, Time Warner and Village are entitled to require second ranking security behind all security that a lender receives in connection with any of our financing arrangements. Time Warner and Village have taken second ranking charges over some of our property assets but they have not requested any additional security since 2007. Consequently, assets acquired since then are not charged in their favor.

We lease our corporate headquarters in Chiswick, United Kingdom, as well as leased offices in Hamburg, Germany and Warsaw, Poland. The Space leases its headquarters in Rome, Italy.

## Regulation

Regulators of film distribution are generally country governments. In some cases, regulations require the films of certain film distributors to be offered and licensed to operators, including us, on a film-by-film and cinema-by-cinema basis. As a result, we are not always able to secure a supply of films by entering into long-term arrangements with major film distributors, but must compete for our licenses on a film-by-film and cinema-by-cinema basis.



Depending on location, our operations are also subject to laws regulating such matters as the construction, refurbishment and operation of cinemas as well as wages and working conditions, citizenship, health and sanitation requirements. We are required to obtain licensing for, among other things, the exhibition of films and the sale of alcoholic beverages. In addition, we are often subject to registration requirements related to the sale of food products. We perform internal audits to maintain compliance with local legal and ongoing reporting requirements.

## **Environmental**

Our cinemas are subject to numerous supra-national, national and local environmental laws and regulations. We believe that we are currently in substantial compliance with all applicable environmental and safety regulations. These environmental, health and safety laws and regulations are constantly changing, however, as are the priorities of those who enforce them. Environmental conditions relating to any of our prior, existing or future properties may have a material adverse effect on our business, financial condition or results of operations. See *"Risk Factors — Risks Relating to Our Business and the Industry — We may be subject to liability under laws and regulations in the jurisdictions in which we operate, including environmental laws and regulations."*

## **Insurance**

We maintain property insurance with respect to our operations that covers our cinemas. We also maintain business interruption and other insurances. We believe that our insurance coverage is customary for similar operations in our industry and is adequate for our business. However, not all losses and liabilities that we may incur may be recoverable. In addition, upon completion of The Space Acquisition, we plan to undertake a comprehensive review of the insurance coverage currently in place in respect of The Space, and in light of any areas of inadequate coverage, we plan to increase this coverage in line with that currently provided for the rest of the Group.

## **Litigation**

In the normal course of business, we are party to various legal actions, such as personal injury claims, employment matters and contractual matters. Except as described below, we do not expect any liability arising from any of these legal actions to have a material impact on our results of operations, liquidity, capital resources or financial position. The outcome of legal actions, however, can be difficult to predict with certainty, and we can offer no assurances in this regard. See *"Risk Factors — Risks Relating to Our Business and the Industry — Potential liabilities and costs from litigation could adversely affect our business"* and *"Risk Factors — Risks Relating to Our Business and the Industry — We are subject to risk related to our leases."*

The Space is currently subject to ongoing tax proceedings relating to alleged improper use of Article 8 tax credits (which are credits granted by the Italian government to encourage development in economically deprived areas), with a potential exposure of €11.8 million, as of July 30, 2014, in addition to interest and penalties. The Space prevailed in the first two stages of the proceeding. The proceeding is currently pending before the Italian Supreme Court with a response expected around the middle of 2016. Under The Space Acquisition Agreement, one of the sellers has indemnified the Issuer for liabilities relating to this proceeding for an uncapped amount. See *"The Transactions — The Space Acquisition"* and *"Risk Factors — Risks Relating to Our Business and Industry — We are subject to taxation which is complex and often requires us to make subjective determinations"*.

In connection with the Squeeze Out, 52 former minority shareholders have filed applications with the Regional Court of Hamburg for the court to determine the compensation payable to the shareholders as a result of the Squeeze Out, thus challenging the valuation of the shares held by minority shareholders of CinemaxX AG (now, CinemaxX Holdings GmbH). The share valuation had been determined by Vue Beteiligungs GmbH based on a valuation by an independent party. The valuation had been reviewed and confirmed as fair by a court-appointed auditor before the CinemaxX annual general meeting in August 2013. Following the settlement of a voidance law suit with respect to the Squeeze Out filed by a minority shareholder, the minority shareholders were ultimately paid an amount per share that was higher than the initial valuation. The Regional Court of Hamburg has not yet set a date for a first oral hearing in the compensation procedure. There is a risk that we may be ordered by the court to pay additional amounts. See *"Risk Factors — Risks Relating to Our Business and Industry — Potential liabilities and costs from litigation could adversely affect our business."*



## MANAGEMENT

### The Issuer

The Issuer was formed as a private limited company under the laws of England and Wales on May 2, 2013 and was reregistered as a public limited company organized under the laws of England and Wales on July 1, 2013, with a company number 8514872. The Issuer is wholly owned indirectly by Holdco which is wholly-owned by the AIMCo Entities, the OMERS Entities, the Executive Managers (and their close relatives) and certain of Vue's senior management. The directors of the Issuer are James Timothy Richards, Alan McNair, Stephen Knibbs, Simon Jones, Mark Redman, Peter Teti and Robert Mah and may be contacted at the registered office of the Issuer. The Issuer's registered office is located at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS. To the best of the Issuer's knowledge, no potential conflicts exist between any duties to the Issuer of the directors of the Issuer listed above and their private interests or other duties in respect of their management roles.

### Board of Directors

The Board of Directors of Holdco is responsible for the overall management and performance of Vue and for defining and executing our strategy. The AIMCo Entities and OPE Vougeot Holdings Limited have the right to appoint directors to the board of Holdco, the number of which depends upon the percentage of B shares they hold and for as long as their total percentage of shareholding respectively is not less than 18% of the B shares in issue.

The table below sets out the names, ages and positions of the individuals who serve as directors of Holdco:

<u>Name</u>	<u>Age</u>	<u>Position</u>
James Timothy Richards . . . . .	55	Chief Executive Officer
Alan McNair . . . . .	59	Deputy Chief Executive Officer
Stephen Knibbs . . . . .	53	Chief Operating Officer
Mark Redman . . . . .	46	Chairman of the Board
Simon Jones . . . . .	32	Investor Director
Robert Mah . . . . .	48	Investor Director
Peter Teti . . . . .	47	Investor Director

The following is a summary of the business experience and principal outside business interests of the Board of Directors. The business address for each member of the Board is our offices at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS.

**James Timothy Richards** is Chief Executive Officer of the Group and a director of Holdco and the Issuer. Mr. Richards has been the Chief Executive Officer and a member of the Board since founding SBC International Cinemas (which became Vue Entertainment) in 1999. Prior to Vue, Mr. Richards worked at Warner Bros. Studio in Los Angeles, California and for UCI in London. Tim started his career as a New York-qualified corporate lawyer in London and New York. Mr. Richards has over 23 years of experience in the cinema exhibition business. He has a law degree from Windsor University and McGill University and Bachelor of Arts in Economics from McGill University.

**Alan McNair** is Deputy Chief Executive Officer of the Group and a director of Holdco and the Issuer. Mr. McNair served as the Chief Financial Officer and Deputy Chief Executive Officer from 1999 until October 2014 when Alison Cornwell assumed the position and responsibilities of Chief Financial Officer. Mr. McNair has also been a member of the Board since joining in 1999. Prior to Vue, Mr. McNair was Executive Vice President and Chief Financial Officer of United Cinemas International worldwide and has over 30 years' experience in the entertainment and leisure business, including film distribution, video distribution and international cinema exhibition. He has a Bachelor of Science in Mathematics and Computer Science from Bristol University. Mr. McNair is also a Fellow of the Institute of Chartered Management Accountants (FCMA).

**Stephen Knibbs** is Chief Operating Officer of the Group and a director of Holdco and the Issuer. Mr. Knibbs has been the Chief Operating Officer and member of the Board since 2003. Prior to Vue, Mr. Knibbs worked at Allied Lyons until 1987, when he joined AMC, rising from General Manager to Regional Manager and Operations Director. In 1989, AMC was acquired by Paramount Pictures and Universal Studios and renamed United Cinemas International. At United Cinemas International, Mr. Knibbs was promoted to Managing Director for the United Kingdom and Ireland and Senior Vice President for Northern Europe.

**Mark Redman** is Chairman of the Board of Holdco and the Issuer. Mr. Redman joined OPE U.K. in September 2009, where he is currently Executive Managing Director & Head of Europe. Prior to OPE U.K., Mr. Redman worked at Grant Thornton as a corporate finance advisor until 1996, when he joined 3i. During his time at 3i, he helped open and grow 3i's Amsterdam office and also developed its market entry strategy for Turkey. Mr. Redman has a Master's Degree in Modern History from Oxford University and is an ACA Chartered Accountant.

**Simon Jones** is an Investor Director of Holdco and the Issuer. Mr. Jones joined OPE U.K. in 2010, where he is currently a Director. Prior to joining OPE U.K., Mr. Jones worked within PricewaterhouseCoopers' Corporate Finance advisory practice in London from 2004 to 2010. He has a Bachelor of Science in International Business and French from the University of Warwick and is an ACA Chartered Accountant.

**Robert Mah** is an Investor Director of Holdco and the Issuer. Mr. Mah joined AIMCo in December 2010, where he is currently Executive Vice President, Private Investments. Prior to AIMCo, Mr. Mah has worked at Scotia Capital as Managing Director responsible for Investment Banking and, prior to that, Mergers and Acquisitions. He has a Bachelor of Commerce in Finance and Economics from McGill University and a Master's Degree in Business Administration from the University of Toronto's Rotman School.

**Peter Teti** is an Investor Director of Holdco and the Issuer. Mr. Teti joined AIMCo in September 2012, where he is currently Senior Vice President, Private Equity and Relationship Investments. Previously, Mr. Teti was a Managing Director of Rothschild (Canada) Inc. and has worked in investment banking for 16 years in Toronto and London. He has a Bachelor of Commerce (Honors) from Queen's University and is an ACA Chartered Accountant.

## Other Senior Management

**Alison Cornwell** is Chief Financial Officer of the Group, a role to which she was appointed in October 2014. Prior to joining Vue in June 2014, Ms. Cornwell worked at Coopers & Lybrand in its corporate finance practice until 1995 when she joined Walt Disney as head of finance for its international TV operations. In 2005 she became CFO of private equity backed Sparrowhawk Media which acquired the international assets of Crown Media Holdings. After a successful sale of the business to NBC Universal, Ms. Cornwell joined international film distributor Alliance Films where she was CFO from 2008 to 2013. Ms. Cornwell was appointed to the Board of Governors of the British Film Institute in 2013. She has a Bachelor of Accountancy degree from the University of Glasgow and is a member of the Institute of Chartered Accountants of Scotland (CA).

## Board Committees

### Audit Committee

The audit committee is tasked with:

- (a) reviewing the financial statements of Holdco and the consolidated financial statements of the Group before publication and, as necessary, taking advice to be assured that the principles and policies adopted comply with statutory requirements and with the best practices in accounting standards;
- (b) consulting with external auditors (and, if any, internal auditors) regarding the extent of their work and reviewing with them all major points arising from the auditor's management letters and the response thereto;
- (c) seeking to satisfy itself that the internal control and compliance environment within Holdco and its subsidiaries is adequate and effective; and
- (d) recommending to the Board of Directors of Holdco the appointment and level of remuneration of the external auditors.

Members of the audit committee are chosen by the Board of Directors of Holdco. The current members of the audit committee are: Simon Jones (on behalf of the OMERS Entities), Jason Peters (on behalf of the AIMCo Entities) and Alan McNair (Deputy Chief Executive Officer of Bidco). The audit committee has met two times since Holdco was incorporated in 2013.

**Remuneration Committee**

The remuneration committee is responsible for dealing with:

- (a) all questions concerning the terms of employment of any senior employee (including the terms of his bonus or other remuneration, termination or dismissal);
- (b) the issue by Holdco to any employee of (or the granting by Holdco to any employee of the option to acquire) any shares in the capital of Holdco or any beneficial interest therein under any employees' share scheme;
- (c) any other arrangement between a Group company and a senior employee or persons connected with a senior employee;
- (d) the promotion or increase in remuneration of any employee which would result in that person becoming a senior employee; and
- (e) the application of the leaver provisions contained in the articles of association of Holdco.

Members of the remuneration committee are chosen by the Board of Directors of Holdco. The current members of the remuneration committee are: Mark Redman (on behalf of the OMERS Entities), Peter Teti (on behalf of the AIMCo Entities) and James Timothy Richards (Chief Executive Officer of Bidco). The remuneration committee has met on several occasions since Holdco was incorporated.

**Compensation**

For the 52 weeks ended November 28, 2013, the aggregate compensation paid to the then members of the Board of Directors of VEIL and, after the reorganization in connection with the 2013 Transactions, to the members of the Board of Directors of the Issuer was £3.1 million (including cash compensation for salary and bonuses).

## PRINCIPAL SHAREHOLDERS

As of the date of this offering memorandum, the issued share capital of the Issuer consisted of 50,001 ordinary shares with a nominal value of £1.00 each, with one share fully paid-up and 50,000 shares paid up to £0.25 each, for a total paid-up share capital of £12,501. All the issued share capital of the Issuer is held by Midco, a private limited company incorporated under the laws of England and Wales, which is a wholly owned subsidiary of Finco, a private limited company incorporated under the laws of England and Wales, which is a wholly owned subsidiary of Holdco, a private limited company incorporated under the laws of Jersey. Holdco is wholly owned by the AIMCo Entities, the OMERS Entities, the Executive Managers (and their close relatives) and certain of Vue's senior management. The Issuer holds all of the shares of VEIL.

### Ownership of Holdco

The OMERS Entities and the AIMCo Entities hold 37.12% and 37.12% of Holdco's ordinary share capital, respectively, the Executive Managers (and their close relatives) and certain of Vue's senior management hold an aggregate of 21.64% of the ordinary share capital of Holdco. The remaining 4.12% of the ordinary share capital of Holdco is reserved for issuance into an employee benefit trust but have not yet been issued.

The share capital of Holdco is divided into six classes of shares (five classes of ordinary shares and preference shares). The ordinary shares of Holdco are designated as A, B, C, D and E shares. The A, B, C and D shares each have a nominal value of £0.0001 and the E shares have a nominal value of £200. The OMERS Entities and AIMCo Entities hold A shares and B shares. Certain members of our management (and their close relatives) hold C shares, D shares and E shares. James Timothy Richards, in addition to holding ordinary shares, holds preference shares. See "*Certain Relationships and Related Party Transactions*."

The following table sets out certain beneficial ownership information regarding the holders of Holdco:

<b>Beneficial Owner</b>	<b>Percentage of Outstanding Ordinary Shares</b>
OMERS Entities . . . . .	37.12
AIMCo Entities . . . . .	37.12
Management <sup>(1)</sup> . . . . .	21.64
Employee benefit trust <sup>(2)</sup> . . . . .	4.12
<b>Total</b> . . . . .	<b>100.0</b>

(1) Executive Managers (and their close relatives) and certain other senior management of Vue.

(2) These shares are reserved for issuance into an employee benefit trust but have not yet been issued.

### Subscription and Shareholders' Agreement

On June 9, 2013, the Vougeot Entities, the Executive Managers, certain other senior management, the AIMCo Entities, the OMERS Entities and OMERS, among others, entered into a subscription and shareholders' agreement ("Subscription and Shareholders' Agreement"), which provides for, among other things, the governance of Holdco, the terms under which the AIMCo Entities, the OMERS Entities and OMERS, the Executive Managers, and certain other senior management subscribed for ordinary shares in Holdco and loan notes issued by Finco, as applicable, and the terms under which James Timothy Richards subscribed for preference shares in Holdco. Pursuant to the agreement, the AIMCo Entities and OPE Vougeot Holdings Limited (one of the OMERS Entities) have the ability to nominate a majority of the directors of Holdco's board of directors.

Some of the key terms of the Subscription and Shareholders' Agreement include the rights of the AIMCo Entities and OPE Vougeot Holdings Limited and the Executive Managers to appoint directors to the board, the composition and responsibilities of the board committees, management undertakings, which include non-compete and non-solicit provisions, conduct of business (including reserved matters which require management to seek investor consent), anti-dilution and the manner and process of exit.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Issuer Loan and New Issuer Loan

The Issuer has entered into shareholder loan agreements with Midco, pursuant to which Midco will extend up to approximately £433 million of loans to the Issuer. The Issuer Loan has a maturity after the Notes, is deeply subordinated pursuant to the Intercreditor Agreement and is not subject to any acceleration provisions or financial covenants. Midco has granted security by way of assignment of its rights under the Issuer Loan in favor of the lenders under the Revolving Credit Facility Agreement and the holders of the Notes.

The Loan Notes are 11% fixed rate unsecured notes issued by Finco to certain of the Executive Managers (and their close relatives), certain of Vue's senior management, the AIMCo Entities and OMERS.

Immediately before completion of the Space Acquisition, Finco will issue a further £38.0 million of Loan Notes to the AIMCo Entities and OMERS. These additional Loan Notes will rank *pari passu* with each other and the existing Loan Notes including on the payment of principal and interest. The proceeds from the issuance of the additional Loan Notes will be lent to Midco under the terms of an intercompany loan agreement between Finco and Midco which amount would then be lent to the Issuer under the terms of an intercompany loan agreement to be entered into between Midco and the Issuer (the "New Issuer Loan"). The New Issuer Loan will have a maturity after the Notes, will be deeply subordinated pursuant to the Intercreditor Agreement and will not be subject to any acceleration provisions or financial covenants.

### Bridge Loan

Due to the timing of certain legal procedures relating to the Squeeze Out and the German Company Conversion, £34.1 million of Restricted Cash was retained in CinemaxX AG on August 8, 2013, the date when the Issuer acquired VEIL, and Midco lent £34.1 million to the Issuer pursuant to the Bridge Loan Agreement. Midco granted security by way of assignment of its rights under the Bridge Loan in favor of the lenders under the Revolving Credit Facility Agreement and the holders of the Original Notes. The Bridge Loan ranks ahead of all shareholder equity of the Issuer.

The proceeds that Midco lent to the Issuer pursuant to the Bridge Loan Agreement were advanced to Midco from Finco pursuant to an intercompany loan in connection with the issuance of the Bridge Loan Notes. The Bridge Loan Notes are 11% fixed rate unsecured notes issued by Finco to the AIMCo Entities and OMERS Entities. As of 28 August 2014, the principal and accrued interest in total on the Bridge Loan Notes was £38.1 million.

The Bridge Loan has a maturity of August 9, 2033 and is deeply subordinated pursuant to the Intercreditor Agreement and is not subject to any acceleration provisions or financial covenants; however, the Intercreditor Agreement permits payments to be made by the Issuer in respect of the Bridge Loan to the extent such payments are permitted or not prohibited under the Revolving Credit Facility Agreement and the Indenture, subject to a maximum payment of £38.0 million for principal and accrued interest.

The Squeeze Out was completed on February 12, 2014 and the Germany Company Conversion was completed on April 25, 2014, at which point the cash became unrestricted. As part of the Transactions, the initial Bridge Loan amounting to £34.1 million, will be repaid by the previously Restricted Cash and interest on the Bridge Loans amounting to £3.9 million will be repaid using internally generated funds. After this repayment an as-adjusted Bridge Loan balance of £89,000 will remain outstanding as of August 28, 2014. The Bridge Loan Notes repayment proceeds of £38.0 million will be reinvested by AIMCo Entities and OMERS Entities as a New Issuer Loan to fund The Space Acquisition. See "— Issuer Loan and New Issuer Loan".

### Executive Manager Put Agreement

The Executive Manager Put Agreement, entered into by among others, Holdco, Midco, the Executive Managers, the AIMCo Entities and the OMERS Entities, allows James Timothy Richards and his immediate family members, Alan McNair and Stephen Knibbs (each an "Executive Put Party") to serve notice on Holdco and Finco of their intention to exercise a put option, at any time following the five year anniversary of the completion of the Vue Acquisition, provided that there is not a continuing or imminent event of default in relation to the Group under its financing arrangements.

A year following such service of notice, the Executive Put Party will require: (1) Holdco to purchase, repay or redeem up to a quarter (in the case of Alan McNair, up to one half of the C shares and all of his D shares held by him) of his C and D shares held in Holdco; and (2) Finco to purchase, repay or redeem up to a quarter (in the case of Alan McNair, up to one half) of his loan notes (the "First Executive Put Option").

In addition, at any time following the exercise of the First Executive Put Option, the Executive Put Party shall be entitled to serve notice on Holdco and Finco of their intention to exercise another put option. A year following such service of notice, the Executive Put Party will require: (1) Holdco to purchase, repay or redeem up to a quarter (in the case of Alan McNair, up to one half of the C shares held by him) of his C and D shares held in Holdco; and (2) Finco to purchase, repay or redeem up to a quarter (in the case of Alan McNair, up to one half) of his loan notes.

The price to be paid for the C and D shares and Loan Notes shall be calculated at fair market value in accordance with the terms of the respective put option agreement.

### **Senior Manager Put Agreement**

The Senior Manager Put Agreement entered into by among others, Holdco, Finco, certain senior managers of Vue, the AIMCo Entities and the OMERS Entities allows each senior manager party to the Senior Manager Put Agreement (a "Senior Put Party") to serve notice on Holdco and Finco of his intention to exercise his put option, at any time following the sixty six month anniversary of the completion of the Vue Acquisition, provided that there is not a continuing or imminent event of default in relation to the Group under its financing arrangements.

Six months following such service of notice, the Senior Put Party will require: (1) Holdco to purchase, repay or redeem up to a quarter of his shares held in Holdco; and (2) Finco to purchase, repay or redeem up to a quarter of his loan notes (the "First Senior Manager Put Option"). In addition, at any time following a year of the exercise of the First Senior Manager Put Option, the Senior Put Party shall be entitled to serve notice on Holdco and Finco of their intention to exercise another put option. Six months following such service, the Senior Put Party will require: (1) Holdco to purchase, repay or redeem up to a quarter of his shares held in Holdco; and (2) Finco to purchase, repay or redeem up to a quarter of his loan notes.

The price of the C and D shares shall be calculated at fair market value in accordance with the terms of the respective put option agreement. Each Senior Put Party has entered into a put option deed with Holdco, Finco, the OMERS Entities and the AIMCo Entities.

### **Management Services Agreement**

The Issuer has entered into a management services agreement with OPE, PE12GV (Artist) Ltd. and PE12PX (Artist-Management) Ltd. (the "Service Providers") for the provision of services to one or more Group companies under which the Issuer shall pay the Service Providers an advisory fee per year of £400,000 in aggregate plus value added tax (if any).

### **Management & Advisory Services Agreement**

The Group has entered into a management & advisory services agreement with the Issuer for the provision of services to one or more members of the Group pursuant to which each member of the Group who benefits from such services shall pay to the Issuer a quarterly fee (consisting of a mark-up of 10% over the total current and historical costs incurred by the Issuer in supplying the services to a member of the Group) for each calendar quarter during which the Issuer has provided services to the relevant member of the Group.

The services to be provided by the Issuer will include treasury services (including currency requirements, cash management and daily cash supply support), tax services (including advice and support on contract and trading issues and tax compliance), legal services (including support on contract and trading issues) and human resources support (including advice on training, payroll matters and employment contracts).



## DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

*The following is a summary of the material terms of our principal financing arrangements after giving effect to the Transactions. 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.*

### **Revolving Credit Facility**

On July 18, 2013, we, together with the Guarantors, entered into the Revolving Credit Facility Agreement, which provides for up to £50.0 million of committed financing, all of which can be drawn by way of loans or by way of Ancillary Facilities (as defined in the Revolving Credit Facility Agreement), from and including the date on which all conditions precedent to signing and first utilization under the Revolving Credit Facility Agreement were satisfied.

Amounts drawn under the Revolving Credit Facility may be used for working capital and other general corporate purposes of the Group (including capital expenditure and acquisitions of companies and businesses subject, in the case of acquisitions funded by the proceeds of a loan, to satisfaction of the Permitted Acquisition Conditions (as defined in the Revolving Credit Facility Agreement) but not for (i) the payment of principal or interest under the Notes Documents (as defined in the Revolving Credit Facility Agreement) or any replacement debt replacing the Notes Documents for the payment, prepayment, purchase, defeasement, redemption, acquisition or retirement of the Notes Documents or any replacement debt replacing the Notes Documents or (ii) the payment of any dividend, redemption, repurchase, defeasement, retirement, repayment, premium or any other distribution in respect of our share capital. The borrowers of the Revolving Credit Facility are the Issuer, CinemaxX Holdings GmbH, CinemaxX Cinema GmbH & Co. KG, CinemaxX Entertainment GmbH & Co. KG, CinemaxX Movietainment GmbH, and Multikino S.A.

Other members of the Group may also accede to the Revolving Credit Facility as borrowers (each a "Borrower" and together with the Issuer the "Borrowers"). The Revolving Credit Facility is guaranteed by the Guarantors and the Issuer. The facility agent (the "Agent") under the Revolving Credit Facility is Lloyds Bank plc.

### **Ancillary facilities**

Under the Revolving Credit Facility, a lender may make available an ancillary facility, such as overdrafts, guarantees, short-term loan facilities, derivatives or foreign exchange facilities subject to the satisfaction of certain conditions precedent, to a Borrower in place of all or part of its unutilized commitment under the Revolving Credit Facility.

### **Repayments and prepayments**

The Revolving Credit Facility terminates on August 8, 2019. Any amount still outstanding at that time is immediately due and payable. Subject to certain conditions, the Borrowers may voluntarily prepay their utilizations or permanently cancel all or part of the available commitments under the Revolving Credit Facility by giving three business days' prior written notice to the Agent. Amounts prepaid or repaid may (subject to the terms of the Revolving Credit Facility Agreement) be re-borrowed.

In addition to any voluntary prepayments, the Revolving Credit Facility requires mandatory prepayment in full or in part in certain circumstances, and if applicable, cancellation, including:

- (1) with respect to any lender, if it becomes unlawful for such lender to perform any of its obligations under the Revolving Credit Facility;
- (2) immediately following a sale of all or substantially all of the assets of the Group (as defined in the Revolving Credit Facility Agreement) whether in a single transaction or a series of related transactions;
- (3) following the occurrence of a "Change of Control" (as defined in the Revolving Credit Facility Agreement); and
- (4) upon a Notes Repurchase (as defined in the Revolving Credit Facility Agreement) and on a pro rata basis where the Notes Repurchase (when taken together with all other Notes Repurchases) exceeds 50% of the original aggregate principal amount of the Initial Notes (as defined in the Revolving Credit Facility Agreement).

## ***Interest and fees***

The Revolving Credit Facility bears interest at a rate per annum equal to LIBOR or, in relation to any loan in euro, EURIBOR plus a margin of 3.50% per annum, subject to a margin ratchet based on the Leverage Ratio (as defined in the Revolving Credit Facility Agreement). Each interest period may be one, three or six months (as selected by the Issuer) or such other period as may be agreed between the Agent and the Issuer (acting on the instruction of all of the Lenders). We are also required to pay a commitment fee in arrears on the last day of each successive three month period during the availability period, on available but unused commitments under the Revolving Credit Facility at a rate of 40% of the applicable margin under the Revolving Credit Facility.

We are also required to pay fees related to the issuance of ancillary facilities, letters of credit, and certain fees to the Agent and the Security Agent in connection with the Revolving Credit Facility.

## ***Security and guarantees***

The Revolving Credit Facility is guaranteed, subject to certain customary limitations and the Agreed Security Principles, on a joint and several basis, by each Guarantor.

The Revolving Credit Facility also required that, from the date falling 20 Business Days after the Closing Date (as defined in the Revolving Credit Facility Agreement) (the "Initial Test Date"), (i) the aggregate consolidated EBITDA of the guarantors (excluding any guarantor with negative earnings before interest, tax, depreciation and amortization (calculated on the same basis as consolidated EBITDA)) must exceed 85% of the Restricted Group's consolidated EBITDA (the "EBITDA Test") and (ii) the aggregate turnover of the guarantors must exceed 85% of the turnover of the Restricted Group (the "Turnover Test"), provided that, if either of these requirements are breached solely by reason of a newly acquired company becoming a member of the Group, there is no breach if (subject to the Agreed Security Principles) the relevant member of the Group accedes as a guarantor and provides transaction security by no later than 30 Business Days following the relevant acquisition.

## ***Covenants***

The Revolving Credit Facility Agreement contains customary and certain deal specific affirmative loan style covenants and restrictive covenants. Set out below is a brief description of such covenants, all of which are subject to customary and certain deal specific exceptions.

### ***Incurrence covenants***

The Revolving Credit Facility Agreement contains incurrence covenants that are substantially the same as those applicable to the Notes.

### ***Affirmative covenants***

The affirmative covenants require, among other things: (i) the provision of certain financial information, including consolidated annual audited financial information for the reporting group and quarterly and monthly financial reports in respect of the reporting group; (ii) the obtaining, compliance with and maintenance of authorizations required by law or regulation to enable each Obligor to (a) perform its obligations under the finance documents under the Revolving Credit Facility (the "Finance Documents") and the Acquisition Documents (as defined in the Revolving Credit Facility Agreement), (b) ensure the legality, validity, enforceability or admissibility in evidence of any Finance Document and the Acquisition Documents (as defined in the Revolving Credit Facility Agreement) to which it is a party, and (c) to enable it to own its property and assets and to carry on its business; (iii) compliance in all respects with applicable laws and regulations (including environmental laws); (iv) payment of taxes; (v) preservation of assets; (vi) maintenance of *pari passu* ranking of any unsecured and unsubordinated claims of a Finance Party (as defined in the Revolving Credit Facility) against it under the Finance Documents with the claims of other unsecured and unsubordinated creditors (except where such claims are mandatorily preferred by law); (vii) commercially reasonable steps to preserve and enforce material rights under the Acquisition Documents (as defined in the Revolving Credit Facility); (viii) maintenance of insurances; (ix) the preservation and maintenance of intellectual property; (x) certain further assurances with respect to the Collateral; (xi) ensuring occupational pension schemes are funded to the extent required by applicable law; (xii) access to books, accounts and records, viewing of assets and discussion with management following an Event of Default; (xiii) undertakings

and certain conditions subsequent relating to the acquisition of CinemaxX, and (xiv) compliance with sanctions and anti-money laundering laws.

#### *Negative covenants*

The Revolving Credit Facility contains certain negative covenants which include, among others, restrictions with respect to: (i) substantially changing the general nature of the business of the Group; (ii) changes of center of main interests; (iii) limitation on activities of certain holding companies; (iv) restrictions (subject to certain exceptions) on entering into certain hedging transactions; (v) restrictions on intra-group dealings of assets subject to transaction security and (vi) restrictions on members of the Group (other than the Issuer) being the issuer or borrower of the Notes and on members of the Group (other than Midco) being the issuer or borrower of any High Yield Notes (as defined in the Revolving Credit Facility Agreement).

#### *Financial covenant*

Under the Revolving Credit Facility, we are required to ensure compliance with a minimum Consolidated EBITDA financial covenant (as determined in accordance with the Revolving Credit Facility Agreement).

The financial covenant requires us to ensure that Consolidated EBITDA as of the end of each relevant period shall not be less than £70,000,000. The financial covenant shall only apply to the extent that the aggregate amount of all outstanding loans under the Revolving Credit Facility on the last day of the applicable relevant period is equal to or greater than £15,000,000. This financial covenant is tested quarterly on a rolling 12-month basis.

In the event that the financial covenant is not complied with, such non-compliance may be cured with the cash proceeds of Additional Shareholder Funding (as defined in the Revolving Credit Facility Agreement) prior to the end of the period 20 business days following the date on which the compliance certificate setting out the calculations in respect of the relevant covenant determination is required to be delivered. There shall be no more than three equity cures over the life of the Revolving Credit Facility and no equity cures may be made in consecutive quarters. The financial covenant referred to above reflects the Revolving Credit Facility Agreement as of the date of this offering circular and may be amended or waived in whole or in part in accordance with the terms of the Revolving Credit Facility Agreement.

#### **Events of default**

The Revolving Credit Facility contains customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications) including, among others, non-payment; a cross default with respect to indebtedness above £5 million of any member of the Group; misrepresentation; breach of the financial covenant; breach of other obligations; unlawfulness; repudiation, audit qualification, failure to comply with the Warner Village intercreditor arrangements, and material adverse change and events of default that are substantially the same as those applicable to the Notes, the occurrence of which would allow the lenders to accelerate all or part of the outstanding utilizations and/or terminate their commitments and/or declare all or part of their utilizations payable on demand and/or declare that cash cover in respect of letters of credit and ancillary facilities is immediately due and payable.

#### **Governing law**

The Revolving Credit Facility and any non-contractual obligation arising out of or in connection with it is governed by and will be construed and enforced in accordance with English law although the incurrence covenants and additional events of default, which are included in the Revolving Credit Facility Agreement and replicate those to be contained in the Indenture, will be interpreted in accordance with New York law (without prejudice to the fact that the Revolving Credit Facility is governed by, and shall be enforced in accordance with, English law).

#### **Intercreditor Agreement**

In connection with entering into the Revolving Credit Facility Agreement and the Indenture, we and certain of our other subsidiaries have entered into the Intercreditor Agreement to govern the relationships and relative priorities among: (i) the facility agent (the "RCF Facility Agent") on behalf of the lenders under the Revolving Credit Facility and (after its accession, the facility agent on behalf of the lenders under any other the Credit Facilities (as defined below); (ii) the Trustee on behalf of the Noteholders of the Notes; (iii) (following

their accession) hedge counterparties under certain hedging agreements; (iv) the arranger of the Revolving Credit Facility; (vi) the security agent named therein; (v) certain intra group creditors and debtors; and (vi) certain direct or indirect shareholders of the Issuer (or subsidiaries thereof which are not members of the Restricted Group or subsidiaries of the Issuer) (“Shareholder Creditors”) in respect of certain structural debt that the Issuer has or may incur in the future (including the shareholder loans provided to the Issuer).

We and each of our subsidiaries that incurs any liability or provides any guarantee, indemnity or other assurance against loss in respect of liabilities to those creditors regulated under the Intercreditor Agreement are referred to in this description as “Debtors” (and any documents evidencing such liabilities, the “Debt Documents”).

The Intercreditor Agreement sets out, among other things:

- the relative ranking of certain indebtedness of the Debtors;
- the relative ranking of certain security granted by the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness;
- the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when collateral and guarantees will be released to permit a sale of the Collateral.

The Intercreditor Agreement contains provisions relating to future indebtedness that may be incurred by the Debtors provided that it is not prohibited to be incurred by the terms of the Indenture, the Credit Facility Documents, the High Yield Documents, any existing Pari Passu Documents (as defined below) or with the consent of the relevant creditor representatives under each such document, which may rank *pari passu* to the Notes and be secured by the Collateral (the “Pari Passu Debt,” the documents evidencing any Pari Passu Debt being the “Pari Passu Debt Documents”) subject to the terms of the Intercreditor Agreement.

The Intercreditor Agreement also contains provisions relating to future high yield notes, exchange notes, securities or other debt instruments (including loans, credit and guarantee facilities) (the “High Yield Notes”) that may be incurred by Midco or any holding company of Midco or any subsidiary of that holding company (not a member of the Restricted Group or a subsidiary of the Issuer) (a “High Yield Issuer”) ranking with the priority set out below under “— *Ranking and priority.*” The High Yield Notes are secured by the Shared Collateral (as defined below) (the “High Yield Notes” and the documents evidencing any High Yield Notes being the “High Yield Documents”).

In addition, the Intercreditor Agreement contains provisions relating to credit facilities that meet the requirements of a “Credit Facility” under and as defined in the Indenture and which refinance or replace the Revolving Credit Facility in full (together with the Revolving Credit Facility, the “Credit Facilities” and the documents evidencing the Credit Facilities and the Revolving Credit Facility being the “Credit Facilities Documents” and the lenders under the Credit Facilities and the Revolving Credit Facility being the “Credit Facility Lenders”). For the purposes of this description, any references to the Credit Facilities or Credit Facility Lenders or Credit Facility Liabilities (as defined below) should be read as including any such refinancing debt and the debt under the Revolving Credit Facility.

The Creditors of the Pari Passu Debt (the “Pari Passu Creditors”) and the holders of the High Yield Notes (the “High Yield Noteholders” and together with the trustee of such High Yield Notes, the “High Yield Creditors”) have rights under the Intercreditor Agreement which are summarized below.

The following description is a summary of certain provisions that are contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt. As such, we urge you to read the Intercreditor Agreement because it, and not the discussion that follows, defines the rights of the Noteholders.

## **Ranking and priority**

The Intercreditor Agreement provides, subject to the provisions summarized below regarding permitted payments, that the right and priority of payment ranks in right and priority in the following order:

- **first**, all present and future Credit Facility Lender Liabilities, the Creditor Representative Liabilities, the Super Senior Hedging Liabilities, the Arranger Liabilities, the Notes Liabilities and the Pari Passu Debt Liabilities, *pari passu* and without any preference between them;
- **second**, all present and future liabilities and obligations of a member of the Restricted Group that is a guarantor or provides an indemnity to the High Yield Creditors under the High Yield Documents (each, a "High Yield Guarantor" and its liabilities being "High Yield Guarantee Liabilities") and all present and future liabilities owed by the Issuer to Midco under or in connection with a High Yield Proceeds Loan ("Holdco Liabilities"), *pari passu* and without any preference between them;
- **third**, certain intra group obligations to the intra group lenders ("Intra Group Liabilities"), *pari passu* and without any preference between them; and
- **fourth**, shareholder liabilities (which consists of liabilities owed by a Debtor to any Shareholder Creditor other than the Holdco Liabilities (the "Shareholder Liabilities")), *pari passu* and without any preference between them.

The Credit Facility Lenders, the Hedge Counterparties, the Noteholders, the High Yield Creditors and the Pari Passu Creditors benefit from a common guarantee and (except for the High Yield Creditors) collateral package and no such secured creditor may take the benefit of any guarantee or collateral unless such guarantee or collateral is also offered for the benefit of the other secured creditors from the Restricted Group. The High Yield Creditors benefit from a collateral package comprising security over any debt instruments used to on loan the proceeds of the High Yield Notes from the relevant High Yield Issuer to the Issuer (where Midco is the High Yield Issuer) or to Midco and then the Issuer (where Midco is not the High Yield Issuer) (a "High Yield Proceeds Loan") and security over the shares of the Issuer which is shared with the other secured creditors (the "Shared Collateral"). The Collateral ranks and secures the liabilities as follows:

- **first**, the liabilities owed to the Credit Facility Lenders (the "Credit Facility Lender Liabilities"), the liabilities owed to the creditor representatives (the "Creditor Representative Liabilities"), the liabilities owed to the arrangers (the "Arranger Liabilities"), the liabilities owed to the Noteholders (the "Notes Liabilities"), the liabilities owed to the Pari Passu Creditors (the "Pari Passu Debt Liabilities") and the liabilities owed to the hedge counterparties (the "Hedge Counterparties") under or in connection with any hedging documents (the "Hedging Documents") which document the Super Senior Hedging Liabilities and the Non Super Senior Hedging Liabilities (the "Hedging Liabilities"), *pari passu* and without any preference between them; and
- **second** (and in respect of the Shared Collateral only), the liabilities owed by the debtors under the High Yield Notes (the "High Yield Liabilities"),

but, in each case, only to the extent that such Collateral is expressed to secure those liabilities and irrespective of (i) the order of execution, creation, registration, notice enforcement or otherwise, (ii) the date on which the liability arose, (iii) any fluctuation in the amount, or intermediate discharge in whole or part, of any liability.

In addition, the Intercreditor Agreement provides that the guarantees and Collateral will be released in certain circumstances described further below in "*— Release of collateral and guarantees — non-distressed disposals*" and "*— Release of collateral and guarantees — distressed disposals.*"

Indebtedness under the Credit Facilities and Super Senior Hedging Liabilities is secured by first priority security interests in the Collateral and receive priority to the proceeds from the Collateral in the event of any enforcement.

Interest rate hedging liabilities in respect of the Credit Facility Lender Liabilities, the Notes Liabilities, the Pari Passu Debt, the High Yield Liabilities and financial indebtedness permitted to be incurred under the Credit Facility Documents, the Indenture, the Pari Passu Debt Documents and the High Yield Notes Documents and currency hedging liabilities, in respect of the Credit Facility Lender Liabilities, the Notes Liabilities, the Pari Passu Debt, and the High Yield Liabilities, and financial indebtedness permitted to be incurred under the Credit Facility Documents, the Indenture, the Pari Passu Debt Documents, the High Yield Notes Documents together with interest rate and currency hedging liabilities in respect of ordinary course and commercial activities and not for speculative purposes and excluding commodity hedging (up to an aggregate notional



amount at any time of £10 million), may be secured and rank *pari passu* with the Credit Facilities and receive priority to the proceeds from the Collateral in the event of any enforcement (the "Super Senior Hedging Liabilities"). All other interest rate and currency hedging liabilities in respect of ordinary course and commercial activities ranks *pari passu* with the Notes Liabilities in respect of enforcement proceeds (the "Non Super Senior Hedging Liabilities").

### **Permitted payments**

The Intercreditor Agreement permits payments to be made by the Debtors under the Credit Facility Documents, the Notes Documents and the Pari Passu Debt Documents, (provided such payments are permitted and not prohibited under such documents). There are also restrictions on payments to Hedge Counterparties except certain specified permitted payments as described below.

The Debtors may make payments of the Notes Liabilities at any other time in accordance with the terms of the Notes Documents subject to (a) (prior to the final maturity date under the Revolving Credit Facility Agreement), any restrictions on note purchases contained in the Revolving Credit Facility Agreement and (b) (prior to the discharge date under any other Credit Facility Document) any provisions in any other outstanding Credit Facility Documents dealing with note purchases.

The Intercreditor Agreement also permits payments in respect of the High Yield Guarantee Liabilities and to Shareholder Creditors in respect of Holdco Liabilities prior to the later of the date on which all the Credit Facility Liabilities, the Creditor Representative Liabilities owed to the agent under the Credit Facility and the Super Senior Hedging Liabilities have been fully and finally discharged (the "Super Senior Discharge Date"), the date on which the Notes Liabilities and the Non Super Senior Hedging Liabilities will have been fully and finally discharged (the "Senior Secured Notes Discharge Date") and the date on which the Pari Passu Debt Liabilities have been fully and finally discharged (the "Pari Passu Discharge Date" and the later of the Senior Secured Notes Discharge Date and the Pari Passu Discharge Date being (the "Senior Secured Discharge Date") subject to:

- (a) (i) if the payment is of any principal amount (including capitalized interest) of the liabilities under the High Yield Documents (the "High Yield Liabilities") which is not prohibited from being paid by the Credit Facility Documents, the Notes Documents and any Pari Passu Debt Document or is a payment of any amount which is not an amount of principal or capitalized interest, (ii) no notice of an event of default under the Credit Facility Documents, the Indenture or the Pari Passu Debt Documents (a "High Yield Stop Notice") has been delivered by the relevant creditor representative of such liabilities (in which case, no such payments will be made until the earlier of (a) the date falling 179 days after the delivery of that High Yield Stop Notice, (b) there is a failure to pay principal on the original final stated scheduled maturity date of the High Yield Notes, (c) if a High Yield Standstill Period is in effect, the date on which that High Yield Standstill period expires, (d) the date on which the relevant event of default ceases to be outstanding (provided no event of default has occurred and is continuing under any of the other relevant documents), (e) the date on which the relevant High Yield Stop Notice is cancelled, (f) the Senior Secured Discharge Date and (g) the date on which the High Yield Creditors are permitted to take enforcement action) and (iii) no payment default under any Credit Facility Documents, the Notes Documents and the Pari Passu Debt Documents (above any agreed threshold) has occurred and is continuing;
- (b) the Majority Super Senior Creditors and the creditor representatives in respect of the Noteholders and the Pari Passu Creditors give prior consent to that payment being made;
- (c) the payment is of amounts owing to the trustee for the High Yield Notes (the "High Yield Notes Trustee");
- (d) the payment is of administrative and maintenance costs, fees, expenses and taxes of the High Yield Issuer (including in relation to any reporting or listing requirements) under the High Yield Notes, as permitted under the terms of the Credit Facility Documents;
- (e) the payment is of costs, consent fees, commissions, underwriter or lead manager fees (including OID), taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any financing or refinancing of the High Yield Notes in compliance with the Intercreditor Agreement, the Credit Facility Documents, the Indenture and the Pari Passu Debt Documents; or
- (f) if the payment is the principal amount of High Yield Liabilities and is paid on or after the final originally scheduled maturity date of such High Yield Liabilities (provided that such maturity date is a date not earlier than 1 year after the originally scheduled maturity date of the Notes and the Revolving Credit Facility) at the time of issuance of such High Yield Notes.



Payments to intra group lenders owed any Intra Group Liabilities (such payments, “Intra Group Liabilities Payments”) are permitted by the Intercreditor Agreement if at the time of payment no acceleration event has occurred. The Intercreditor Agreement permits Intra Group Liabilities Payments if an acceleration event has occurred if, among other things: (i) prior to the Super Senior Discharge Date, permitted or not prohibited by the RCF Facility Agreement, (ii) prior to the Senior Secured Discharge Date, permitted or not prohibited by the Indenture pursuant to which any Notes remain outstanding, (iii) prior to the Pari Passu Discharge Date, permitted or not prohibited by the Pari Passu Debt Documents, (iv) prior to the High Yield Discharge Date, permitted or not prohibited by the High Yield Documents pursuant to which any High Yield Notes remain outstanding, (v) any managing director of any of the Debtor incorporated in Germany is required by mandatory law to make or to demand payment of the relevant Intra Group Liabilities in order to avoid personal and/or criminal liability, (vi) that payment is made to facilitate payment of the Super Senior Liabilities, the Notes Liabilities, the Pari Passu Debt Liabilities and/or the Non Super Senior Hedging Liabilities or (vii) that payment is made to facilitate payment of the High Yield Liabilities that are permitted to be paid under the terms of the Intercreditor Agreement.

Payments may be made in respect of Shareholder Liabilities and Holdco Liabilities if (i) prior to the Super Senior Discharge Date, permitted or not prohibited by the RCF Facility Agreement, (ii) prior to the Senior Secured Discharge Date, permitted or not prohibited by the Indenture pursuant to which any Notes remain outstanding, (iii) prior to the Pari Passu Discharge Date, permitted or not prohibited by the Pari Passu Debt Documents, (iv) prior to the High Yield Discharge Date, permitted or not prohibited by the High Yield Documents pursuant to which any High Yield Notes remain outstanding or (v) the payment is to be made by the Issuer to the Midco and is equal to and the amount is used for a payment in respect of any High Yield Liabilities then due and payable by the relevant High Yield Issuer (or, in the case of a payment in respect of scheduled interest, such payment will become due and payable within three Business Days) and which is a permitted high yield payment.

Subject to the certain conditions described below, the Debtors may make payments to any Hedge Counterparty in respect of the Hedging Liabilities then due to that Hedge Counterparty under any Hedging Document in accordance with the terms of that Hedging Document: (i) if the payment is a scheduled payment arising under the relevant Hedging Document; (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 withholding tax, payments in the contractual currency, judgments, expenses and default interest; (iii) to the extent that the relevant Debtor’s obligation to make the payment arises from a non-credit related close-out; (iv) 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 under the Hedging Document which arises as a result of an event relating to a Debtor and where no event of default under any Credit Facilities Document, Notes Document or Pari Passu Debt Document is continuing at the time of that payment; (v) 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 any Credit Facilities Document, Notes Document, Pari Passu Debt Document or High Yield Documents is continuing at the time of, or would result from, that payment or (vi) with the consent of the Majority Super Senior Creditors (excluding the Hedge Counterparties which are owed Super Senior Hedging Liabilities) and the Majority Senior Secured Creditors (excluding Hedge Counterparties which are owed Non-Super Senior Hedging Liabilities) of each tranche.

An acceleration event includes the relevant creditor representative exercising any or all of its rights under the acceleration provisions of the Credit Facilities Documents, or any other equivalent acceleration provisions under any of the Notes Documents, the Pari Passu Debt Documents or the High Yield Documents.

### ***Limitations on enforcement by Super Senior Creditors and Senior Secured Creditors***

For the purposes of enforcement:

- the Credit Facility Lenders, the Hedge Counterparties (to the extent they are owed Super Senior Hedging Liabilities) and their creditor representatives are referred to as the “Super Senior Creditors” and the liabilities being owed to the Credit Facility Lenders, the Creditor Representative of the Credit Facilities and the Hedge Counterparties, which are owed Super Senior Hedging Liabilities (the “Super Senior Liabilities”); and
- the Noteholders, the Pari Passu Creditors, Non-Super Senior Hedging Liabilities and their creditor representatives are referred to as the “Senior Secured Creditors.”

The security agent may refrain from enforcing the Collateral or taking any other enforcement action unless instructed by the Instructing Group (as defined below). If any of the Super Senior Creditors or the Senior Secured Creditors wish to enforce the Collateral, either (a) the majority Super Senior Creditors (being 66⅔% by value of the Super Senior Creditors) (the "Majority Super Senior Creditors") or (b) the majority Senior Secured Creditors (being more than 50% in value of the Senior Secured Creditors entitled to vote as described in the Intercreditor Agreement) (the "Majority Senior Secured Creditors") (in each case acting through their respective creditor representative) (the "Instructing Group") must give at least five business days' (or such shorter period as each creditor representative may agree) notice of the proposed enforcement instructions to the creditor representatives for the other creditor classes and the security agent.

If the security agent receives conflicting instructions, then, to the extent instructions from the Majority Senior Secured Creditors have been given, the security agent will comply with such instructions, provided that, if the Super Senior Liabilities have not been fully and finally discharged within six months of the Time Period Start Date (as defined below) or if no enforcement has occurred within three months of the Time Period Start Date (as defined below), then the instructions of the Majority Super Senior Creditors will prevail.

To the extent that the enforcement instructions conflict (and a failure by a creditor representative for the Majority Super Senior Creditors or the Majority Senior Secured Creditors to give any instruction shall be deemed a conflicting enforcement instruction for the purposes of triggering a consultation period and for determining the Instructing Group), the giving of this notice triggers a 30-day consultation period (or such shorter period as the relevant creditor representatives shall agree) (the end of such period being the "Time Period Start Date") during which time the creditor representatives for each of the creditor classes must discuss the proposals in good faith with a view to co-coordinating the proposed enforcement instructions.

A creditor representative is not obliged to consult as described above (or shall only be obliged to consult for a shorter period in the case of the second dot point below as the Instructing Group may determine) if:

- the Collateral has become enforceable as a result of a insolvency event in relation to a Debtor; or
- that creditor representative (acting on the instructions of the relevant creditor group) determines in good faith and notifies the other creditor representatives and the security agent that to do so and thereby delay enforcement of the Collateral could reasonably be expected to have a material adverse effect on (A) the security agent's ability to enforce any of the Collateral or (B) the realization proceeds of any enforcement of the Collateral in any material respect;
- a period of not less than three months has elapsed since the date the proposed enforcement instructions were given and no enforcement is being effected by the security agent or the Super Senior Liabilities have not been fully and finally discharged within six months from the date the proposed enforcement instructions were given; or
- the creditor representatives are in agreement that no initial consultation period shall be required.

If consultation has taken place for at least 30 days as described above (or such shorter period as may have been agreed between the relevant creditor representatives) (or was not required to occur as described above), there shall be no further obligation to consult and the security agent may act in accordance with the instructions as to enforcement of the Instructing Group (as described above) and the Instructing Group may issue instructions as to enforcement to the security agent at any time thereafter.

If the Majority Super Senior Creditors or the Majority Senior Secured Creditors (in each case acting reasonably) consider that the security agent is enforcing the Collateral in a manner which is not consistent with the Security Enforcement Principles, subject to the exceptions to the requirement for a consultation period described above, the creditor representative(s) for the Super Senior Creditors or the Senior Secured Creditors (as appropriate) shall give notice to the creditor representative(s) for the other Super Senior Creditors and the Senior Secured Creditors (as appropriate) after which the creditor representative(s) for the other Super Senior Creditors and the Senior Secured Creditors (as appropriate) shall consult with the security agent for a period of 15 days (or such lesser period as the relevant creditor representatives may agree) with a view to agreeing the manner of enforcement provided that such creditor representatives shall not be obliged to consult more than once in relation to each enforcement action.

Any enforcement instructions given must comply with certain collateral enforcement principles (the "Security Enforcement Principles") and the collateral enforcement objective, including:

- to achieve the collateral enforcement objective, namely to maximize, to the extent consistent with a prompt and expeditious realization of value from enforcement of the Collateral, the recovery by all of the Super Senior Creditors and the Senior Secured Creditors;
- either all enforcement proceeds will be received in cash by the security agent or, in the case of enforcement by the Majority Senior Secured Creditors, sufficient enforcement proceeds will be received in cash by the security agent to ensure that after distribution in accordance with the Intercreditor Agreement, the Super Senior Liabilities will be repaid in full (unless the Majority Super Senior Creditors agree);
- to the extent that the enforcement is over Collateral with an aggregate book value exceeding £1,000,000, or the enforcement is over Collateral over some or all of the shares in a member of the Restricted Group, the security agent shall, if requested by the Majority Super Senior Creditors or the Majority Senior Secured Creditors, and at the expense of the Company (unless it is incompatible with enforcement proceedings in a relevant jurisdiction) appoint an internationally recognized investment bank or any one of a "big four" accounting firm, BDO or Grant Thornton or, if not practicable, from another reputable independent third party professional firm that is regularly engaged in providing valuations of the relevant type of assets, to opine that the consideration received for any disposal is fair from a financial point of view taking into account all relevant circumstances (the "Financial Advisor's Opinion");
- the security agent is under no obligation to appoint a financial advisor or to seek the advice of a financial advisor, unless expressly required to do so by any provision of the Intercreditor Agreement;
- the Financial Advisor's Opinion will be conclusive evidence that the Collateral Enforcement Principles have been met; and
- if any enforcement action of collateral is conducted by way of public or private auction or other competitive sale process, which is conducted with the advice of an independent investment bank or intentionally recognized firm of accountants or a reputable independent third party professional firm which is regularly engaged in such sale processes (a "Competitive Sales Process"), no Financial Advisor needs to be appointed in respect of such enforcement action.

### ***Limitations on enforcement by High Yield Creditors***

Until the Senior Secured Discharge Date, except with the prior consent of or as required by the Instructing Group, no High Yield Creditor shall take or require the taking of any enforcement action in relation to the High Yield Guarantee Liabilities or direct the security agent or otherwise require the enforcement of any of the Shared Collateral, except if:

- a default under any High Yield Documents is continuing and a period (the "High Yield Standstill Period") of ending the earlier of (a) 179 days from the date of service of notice in writing of such default from the relevant High Yield Notes Trustee to each of the relevant creditor representatives with respect to the Super Senior Creditors and Senior Secured Creditors, (b) the date the relevant High Yield Guarantor is subject to a insolvency event against whom enforcement action is taken, (c) the date on which any other standstill period expires in respect of such default, and at the end of such period such default is continuing, (d) the date on which the creditor representative for the Credit Facility Lenders, the Noteholders and the Pari Passu Creditors consent to enforcement in respect of such default, (e) the date the Super Senior Creditors or the Senior Secured Creditors take any enforcement action in respect of a High Yield Guarantor provided that a High Yield Creditor may only take the same enforcement action in relation to that High Yield Guarantor as the enforcement action taken by the Super Senior Creditors and/or the Senior Secured Creditors against that Guarantor (and not against any other member of the Restricted Group) and that enforcement action for these purposes shall not include action solely taken to preserve or protect any Collateral as opposed to release it, and (f) a failure to pay the principal amount outstanding at the final stated maturity of the High Yield Notes; and
- the creditor representatives for the Credit Facility Lenders, the Noteholders and the Pari Passu Creditors have received notice of such default,

provided that, if the Security Agent has notified the High Yield Notes Trustee (or any creditor representative in respect of High Yield Creditors) that it is enforcing security over the shares of a High Yield Guarantor, no High Yield Creditor may take enforcement action in relation to such High Yield Guarantor while the security agent is taking steps to enforce that security on the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

### ***Limitation on Enforcement of Intra Group Liabilities and Shareholder Liabilities***

Creditors in respect of the Intra Group Liabilities or Shareholder Liabilities are not permitted to take any enforcement action in respect of such liabilities prior to the Final Discharge Date (other than certain specific enforcement action as set out in the Intercreditor Agreement) save that, after the occurrence of an insolvency event in relation to any member of the Restricted Group, each intra group lender or shareholder creditor (as the case may be) 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 or shareholder creditor (as the case may be) in accordance with the Intercreditor Agreement) and shall, if so directed by the security agent, exercise any right it may otherwise have against that member of the Restricted Group to:

- (a) accelerate any of that member of the Restricted Group's Intra Group Liabilities or Shareholder Liabilities (as the case may be) 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 Restricted Group in respect of any Intra Group Liabilities or Shareholder Liabilities (as the case may be);
- (c) exercise any right of set-off or take or receive any payment in respect of any Intra Group Liabilities or Shareholder Liabilities (as the case may be) of that member of the Restricted Group; or
- (d) file claims, or claim and prove in the liquidation of that member of the Restricted Group for the Intra Group Liabilities or Shareholder Liabilities (as the case may be) owing to it.

No Intra-Group Lender incorporated in Germany is prevented from exercising any of the rights referred to in this section if and to the extent the exercise of such rights is required by mandatory law to avoid any personal liability of any managing director of that Intra-Group Lender.

### ***Turnover***

Subject to certain exclusions, if any Super Senior Creditor, Noteholder, Non-Super Senior Hedge Counterparty, Pari Passu Creditor or High Yield Creditor (or any of their respective creditor representatives) receives or recovers the proceeds of any enforcement of any Collateral except in accordance with "*— Application of proceeds*" below, that person must:

- in relation to amounts not received or recovered by way of set-off, hold that amount on trust for the security agent and promptly pay an amount equal to that amount to the security agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the security agent for application in accordance with the terms of the Intercreditor Agreement.

Subject to certain exceptions, if at any time prior to the Final Discharge Date any High Yield Creditor or any Intra Group Lender or Shareholder Creditor (each a "Subordinated Creditor") receives or recovers any amount in respect of the High Yield Liabilities or in respect of the Intra Group Liabilities or Shareholder Liabilities (together the "Subordinated Liabilities") which it is not permitted to receive or recover by the terms of the Intercreditor Agreement, or receives or recovers the proceeds of enforcement of any Collateral except in accordance with "*— Application of proceeds*" below, or receives or recovers any amount in respect of the relevant High Yield Liabilities or (as the case may be) Subordinated Liabilities after the occurrence of a Distress Event or as a result of litigation against a Debtor or member of the Group (other than after the occurrence of an insolvency event in respect of that Debtor or Group member), or receives or recovers any amount in respect of the High Yield Liabilities or Subordinated Liabilities except in accordance with "*— Application of*

*proceeds*” below and made as a result of, or after, the occurrence of an insolvency event in respect of the relevant Debtor, that person must:

- in relation to amounts not received or recovered by way of set-off, hold that amount on trust for the security agent and promptly pay an amount equal to that amount to the security agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the security agent for application in accordance with the terms of the Intercreditor Agreement.

### ***Application of proceeds***

All amounts from time to time received pursuant to the provisions described under “— *Turnover*” above or recovered by the security agent in connection with the realization or enforcement of all or any part of the Collateral or otherwise paid to the security agent under the Intercreditor Agreement for application as set forth below shall be held by the security agent on trust and applied in the following order:

- **first**, (i) *pari passu* and pro rata any sums owing to the security agent, any receiver, attorney or agent of the security agent, any Pari Passu Debt representative in respect of any Pari Passu Debt issued in the form of notes and, any fees, costs, charges, expenses or sums payable to the Trustee for the Notes; then (ii) *pari passu* and pro rata to each creditor representative (to the extent not included in (i) above and excluding any Hedge Counterparty in its capacity as its own creditor representative) of the unpaid fees, costs, expenses and liabilities (and all interest thereon as provided in the relevant Debt Documents) of each such creditor representative and any receiver, attorney or agent appointed by such creditor representative under any collateral document or the Intercreditor Agreement (to the extent that the collateral concerned has been given in favor of such obligations);
- **second**, *pari passu* and pro rata, in or towards payment of all costs and expenses incurred by the Super Senior Creditors in connection with any realization or enforcement of the Collateral taken in accordance with the terms of the collateral documents and the Intercreditor Agreement or any action taken at the request of the security agent;
- **third**, *pari passu* and pro rata in or towards payment between (i) the agent under the Revolving Credit Facility Agreement (the “RCF Agent”) on its own behalf and on behalf of the lenders under the Revolving Credit Facility Agreement, each creditor representative in respect of a Credit Facility on its own behalf and on behalf of the Arrangers and Credit Facility Lenders under that Credit Facility for application towards the discharge of the liabilities owed to the RCF Agent, the Arranger Liabilities, the liabilities under the Revolving Credit Facility Agreement, Credit Facility Lender Liabilities, the Creditor Representative Liabilities owed to the creditor representatives in respect of each Credit Facility and the Credit Facility Lender Liabilities and the related Arranger Liabilities (in accordance with the terms of the relevant Credit Facility Documents) and (ii) the Hedge Counterparties to the extent they are owed Super Senior Hedging Liabilities;
- **fourth**, *pari passu* and pro rata in or towards payment to the Trustee on behalf of the Noteholders, the Pari Passu Debt representatives on behalf of the Pari Passu Creditors and each of the Non-Super Senior Hedge Counterparties for application towards any unpaid costs and expenses incurred by or on behalf of any Noteholders, Pari Passu Creditors and the Hedge Counterparties in connection with any realization or enforcement of the Collateral taken in accordance with the terms of the collateral documents and the Intercreditor Agreement or any action taken at the request of the security agent;
- **fifth**, *pari passu* and pro rata in or towards payment to the Trustee on behalf of the Noteholders for application towards the discharge of the Notes Liabilities (in accordance with the Indenture), to the Pari Passu Debt representatives on behalf of the Pari Passu Creditors for application towards the discharge of the Pari Passu Debt (in accordance with the relevant Pari Passu Documents) and to each of the Hedge Counterparties for application towards any Non-Super Senior Hedging Liabilities;
- **sixth**, (from the proceeds of the Shared Collateral only) *pari passu* and pro rata in or towards payment to the High Yield Trustee on behalf of the High Yield Noteholders for application towards any unpaid costs and expenses incurred by or on behalf of any High Yield Noteholders in connection with any realization or enforcement of the Shared Collateral taken in accordance with the terms of the collateral documents and the Intercreditor Agreement or any action taken at the request of the security agent;



- **seventh**, (from the proceeds of the Shared Collateral only) *pari passu* and pro rata in or towards payment to the High Yield Notes Trustee on behalf of the High Yield Noteholders for application towards the discharge of the High Yield Liabilities (in accordance with the relevant High Yield Documents); and
- **eighth**, after the Final Discharge Date, in payment of the surplus (if any) to the Debtors.

### **Option to purchase**

One or more of the Noteholders or Pari Passu Creditors may, following an acceleration event in relation to the Super Senior Liabilities, the Notes, the Pari Passu Debt Liabilities or High Yield Liabilities or enforcement of the Collateral, and subject to various conditions set out in the Intercreditor Agreement (including the grant of an acceptable indemnity against clawback to the Credit Facility Lenders), exercise an option to purchase all (but not part of) the Credit Facilities Liabilities and the Super Senior Hedging Liabilities.

Following an acceleration event in relation to any Super Senior Liabilities, Notes Liabilities, Pari Passu Debt Liabilities or High Yield Liabilities or enforcement of the Collateral (a “Distress Event”), and subject to various conditions set out in the Intercreditor Agreement (including the grant of an acceptable indemnity against clawback to such Credit Facility Lender, Hedge Counterparty, Senior Secured Creditor or Pari Passu Creditor), one or more of the High Yield Noteholders may, at the expense of such purchasing High Yield Noteholder, acquire or procure the acquisition of all (but not part only) of the rights and obligations of the Credit Facility Lenders, the Hedge Counterparties, the Senior Secured Creditors and the Pari Passu Creditors in connection with the Credit Facility Lender Liabilities under the Credit Facility Documents, the Hedging Liabilities under the Hedging Documents, the Notes Liabilities under the Indenture and the Pari Passu Debt Liabilities under the Pari Passu Debt Documents.

### **Release of collateral and guarantees — non-distressed disposals**

In circumstances where a disposal is not a distressed disposal (including a solvent liquidation or reorganization of any Debtor or member of the Group that results in no person or a different person owning the relevant assets, and such action is otherwise permitted by the Credit Facility Documents, the Notes Documents, the Pari Passu Debt Documents or the High Yield Documents), the Intercreditor Agreement provides for an automatic release of the security (where effective) and otherwise that the security agent named therein is authorized and instructed:

- to release the Collateral or any other claim over the relevant asset; and
- if the relevant asset consists of shares in the capital of a member of the Group, to release the Collateral or any other claim over the assets of that Group Member and (where the disposal is to a person which is not a member of the Restricted Group) the assets of any of their subsidiaries,

provided that (i) in the case of a disposal to another member of the Restricted Group, to the extent replacement Collateral is required from the transferee under the relevant Debt Documents, any required replacement collateral is granted by the transferee before or at the same time as the release and, (ii) if required by the terms of the relevant Debt Documents, any proceeds from the disposal are applied in mandatory prepayment of the relevant debt.

### **Release of collateral and guarantees — distressed disposals**

In circumstances where a distressed disposal is being effected, the Intercreditor Agreement provides that the security agent is authorized and instructed:

- to release the Collateral or any other claim over the relevant asset;
- if the asset which is disposed of consists of shares in the capital of a Debtor, to release (i) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities (other than those liabilities owed by the Issuer to the Super Senior Creditors, Noteholders, Pari Passu Creditors and Hedge Counterparties) as described in the Intercreditor Agreement and certain guaranteeing liabilities and other liabilities as described in the Intercreditor Agreement, (ii) any Collateral granted over that Debtor’s assets and the assets of any of its subsidiaries and (iii) any other claim of a Debtor or intra group lender over that Debtor’s assets or over the assets of any subsidiary of that Debtor;
- if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release (i) that holding company and any subsidiary of that holding company from all or any part



of its borrowing liabilities (other than those liabilities owed by the Issuer to the Super Senior Creditors, Noteholders, Pari Passu Creditors and Hedge Counterparties) as described in the Intercreditor Agreement, certain guaranteeing liabilities as described in the Intercreditor Agreement and certain other liabilities as described in the Intercreditor Agreement, (ii) any Collateral granted over the assets of any subsidiary of that holding company and (iii) any other claim of a Debtor or intra group lender over that Debtor's assets or over the assets of any subsidiary of that holding company;

- (d) if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to dispose of all or any part of that Debtor's or the holding company of that Debtor's borrowing liabilities (other than those liabilities owed by the Issuer to the Super Senior Creditors, Noteholders, Pari Passu Creditors and Hedge Counterparties), certain guaranteeing liabilities and certain other liabilities; and
- (e) if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to transfer intra group liabilities and debtor liabilities owed by that Debtor or holding company of a Debtor to another Debtor.

Any net proceeds of the disposal must be applied in accordance with the enforcement proceeds waterfall described above under "*— Application of proceeds.*"

Prior to the High Yield Discharge Date, a distressed disposal is being effected such that the High Yield Guarantees and Shared Collateral will be released, it being a condition of this release that:

- (a) either all or substantially all of the consideration for the relevant sale or disposal is cash or the disposal is made pursuant to any process or proceedings approved or supervised by or on behalf of any court of law where there is a determination of value by or on behalf of the court;
- (b) either the sale or disposal is made pursuant to (i) a Competitive Process, (ii) any process or proceedings approved or supervised by or on behalf of any court of law where there is a determination of value by or on behalf of the court or (iii) where the security agent has obtained a Financial Advisor's Opinion confirming that the sale, disposal or transfer price is fair from a financial point of view after taking into account all relevant circumstances, including the method of enforcement; and
- (c) the claims of each of the Super Senior Creditors, Noteholders, Pari Passu Creditors, Hedge Counterparties and High Yield Noteholders against the relevant entities or assets are irrevocably and unconditionally released or sold or disposed of concurrently with such sale (and are not assumed by the relevant purchaser or by any affiliate of such purchaser) and all Collateral over such relevant entities or assets are released provided that in the event of a sale or disposal of any such claim (instead of a release or discharge) the relevant creditor representative determines acting reasonably and in good faith, that the Super Senior Creditors, Noteholders, Pari Passu Creditors and Hedge Counterparties will recover more than if such claim was released or discharged and the representative in respect of the relevant creditor group serves 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 to an affiliate of such purchaser).

The proceeds from the relevant sale or disposal are to be applied in accordance with the enforcement proceeds waterfall described above under "*— Application of proceeds.*"

### **Amendment**

Except for (i) amendments of a minor, technical or administrative nature which may be effected by the security agent and the Company, (ii) amendments made by the relevant creditor representatives (without any further instructions from the relevant creditor groups), the Company and the security agent to cure defects, or typographical errors, or to resolve ambiguities or reflect changes in each case of a minor or technical nature or (iii) amendments which only affects one class of the relevant creditors which could not reasonably be expected to materially and adversely affect the interests of the other classes (in which case only written agreement from that class will be required), the Intercreditor Agreement may be amended with the consent of the Majority Super Senior Creditors, the required percentage of the Noteholders (as set out in the Indenture), the required percentage of the High Yield Noteholders (as set out in the relevant High Yield Indenture) and the required percentage of Pari Passu Creditors (as set out in the relevant Pari Passu Debt documentation), the Issuer and the security agent unless it relates to certain specified matters such as

ranking, priority, subordination, turnover, enforcement, disposal proceeds, amendments or the payment waterfall. Such amendments require consent from all of the Credit Facility Lenders, the Trustee (acting in accordance with the Indenture), the High Yield Notes Trustee (acting in accordance with the relevant High Yield Notes Indenture) or other representative or creditor of the additional tranche of high yield debt (as applicable), the Pari Passu Debt representative (acting in accordance with the relevant Pari Passu Debt Documents), each Hedge Counterparty (to the extent that the amendment or waiver would adversely affect the Hedge Counterparties), the Company and the security agent.

No amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party (other than, in the case of the Credit Facility Lenders, the Noteholders, the Pari Passu Creditors and the Hedge Counterparties) in a way which affects creditors of that party's class generally or, in the case of the Debtors or third party creditor, to the extent consented to by the Company) to the Intercreditor Agreement without the prior consent of that party (or, in the case of the Noteholders, the Pari Passu Creditors and the High Yield Creditors in respect of an issue of debt securities, the relevant creditor representative).

To the extent the Debtors wish to enter into Pari Passu Debt or other additional or replacement indebtedness ("Additional Indebtedness") which is permitted to share in the Collateral pursuant to the Credit Facilities Documents, the Notes, other Pari Passu Debt Documents and the High Yield Documents, then the parties to the Intercreditor Agreement may be required to enter into documentation to implement this (including without limitation a replacement intercreditor agreement on substantially the same terms as the Intercreditor Agreement).

### **Warner Village Intercreditor Agreement**

As referred to above, in connection with our acquisition of the Warner Village U.K. Cinema Circuit in 2003, we entered into a deed of undertaking and indemnity (the "Deed") in favor of Time Warner and Village. The Deed was entered into to offer protection in the form of indemnities to Time Warner and Village in respect of liabilities which they retained pursuant to leases of certain properties that we acquired but for which Time Warner and Village continue to be contingently liable (either as guarantor or original tenant) by virtue of English law. Under the terms of the Deed, Time Warner and Village are entitled to require second ranking security (the "Time Warner Security") and the documents evidencing the Time Warner Security (the "Warner Village Security Documents") subordinated to any security that a lender receives in connection with any of our financing arrangements. Time Warner and Village have taken second ranking charges over some of our property assets but they have not requested any additional security since 2007.

In connection with the Deed, we entered into the Warner Village Intercreditor Agreement with, among others, Time Warner, Village and Village Roadshow UK Holdings Pty Limited (the "Subordinated Creditors") to govern the relationship and relative priorities among (i) all present and future Credit Facility Lender Liabilities, the Creditor Representative Liabilities, the Arranger Liabilities, the Notes Liabilities, the Pari Passu Debt Liabilities and the Hedging Liabilities (each as defined above) (the "Senior Creditors") and (ii) the Subordinated Creditors in respect of the Permitted WV Security (as defined in the Warner Village Intercreditor Agreement) and the present and future sums, liabilities and obligations owing or incurred to the Subordinated Creditors under or in connection with the Time Warner Security (the "Warner Village Subordinated Debt") and regulate the rights and obligations of the parties under the Debt Documents and Warner Village Security Documents, which shall in all respects take effect and be subject to the provisions of the Warner Village Intercreditor Agreement. A majority of the Guarantors have also acceded to the Warner Village Intercreditor Agreement.

### **Limitations on enforcement**

The Warner Village Intercreditor Agreement provides that, until the Senior Discharge Date (as defined in the Warner Village Intercreditor Agreement), unless the Creditor Representatives (as defined in the Intercreditor Agreement) and the Security Agent have previously agreed in writing, no Subordinated Creditor will:

- exercise any power of attorney in any Warner Village Security Document or exercise any other rights under the Warner Village Security Documents the effect of which is the enforcement of any security constituted by the Warner Village Security Documents;
- crystallize, or purport to crystallize, any floating charge in any Warner Village Security Document;
- enforce, or purport to enforce, any Security conferred by the Warner Village Security Documents or appoint or require the appointment of an insolvency representative to any member of the Group or over the assets of any member of the Group.

### ***Undertakings of Obligors***

Until the Senior Discharge Date (unless the creditor representatives have previously agreed otherwise in writing), no Obligor may, notwithstanding any provision of the Warner Village Security Documents:

- create or permit to subsist any security over any of its assets as security for any of the Warner Village Subordinated Debt except for the Permitted WV Security; or
- take or omit to take any action whereby the subordinations contemplated by the Warner Village Intercreditor Agreement may be impaired, terminated or adversely affected.

### ***Undertakings of the Subordinated Creditors***

Until the Senior Discharge Date (unless the creditor representatives have otherwise agreed in writing), no Subordinated Creditor shall take, accept or receive the benefit of, or permit to subsist in favor of any of them, any security upon any assets of the Issuer or its subsidiaries (the "Group") or any guarantee from any member of the Group, whether directly or indirectly, for or in respect of the Warner Village Subordinated Debt except for the Permitted WV Security and except as expressly provided for in the Deed and the sale and purchase agreement dated 12 May 2003 between amongst others, Time Warner, Village, Vue Entertainment Holdings Limited (the "WV Acquisition Agreement"), in each case, as in force on the date of the Warner Village Intercreditor Agreement.

### ***Ranking and priority***

The Warner Village Intercreditor Agreement provides that the right and priority of payment will rank in the following order:

- first, all present and future Credit Facility Lender Liabilities, the Creditor Representative Liabilities, the Arranger Liabilities, the Notes Liabilities, the Pari Passu Debt Liabilities and the Hedging Liabilities (each as defined above) (the "Senior Debt"); and
- second, the Warner Village Subordinated Debt.

The Warner Village Intercreditor Agreement also provides that the collateral package granted in respect of the Debt Documents ranks in all respects prior to all existing security and future security conferred by the Warner Village Security Documents and secures all of the Debt Documents in priority to the Warner Village Subordinated Debt.

### ***Proceeds of Enforcement of Security***

Subject to the rights of any prior or preferential encumbrancers or the Senior Creditors and save as provided by law, the proceeds of enforcement of the security conferred by the security documents securing the liabilities of the Senior Creditors (the "Senior Security Documents") and all other amounts paid to any creditor representative or, as the case may be, the Security Agent under the Warner Village Intercreditor Agreement shall be applied in the following order:

- first, in payment to the Senior Creditors and Arrangers in accordance with the provisions as set out in the Intercreditor Agreement; and
- second, in payment of the surplus (if any) to such persons who may be entitled to them,

and pending such application shall be held on trust by the Security Agent for the beneficiaries entitled thereto.

### ***Amendments to the Warner Village Security Documents***

Until the Senior Discharge Date, unless the creditor representatives have agreed to the variation in writing, no Obligor or Subordinated Creditor will vary the terms of any Warner Village Security Document. However, this shall not prevent the making or variation to the terms of any Warner Village Security Document:

- in a manner and to the extent such that the interests of any of the Senior Creditors or the ranking and/or subordination arrangements provided for in the Warner Village Intercreditor Agreement are not adversely affected (as to which a certificate of each creditor representative acting in good faith will be conclusive); or

- which is to reflect a similar variation to any Credit Facility Document, Notes Document, hedging agreement or Pari Passu Debt Document (the “Senior Documents”) which has been made or given by the relevant creditor representative; and
- at least five business days prior to any such proposed variation, the Subordinated Creditor shall deliver to the Security Agent copies of the documentation which it is proposed will effect such variation.

### **Release of Security**

- (1) Without prejudice to paragraphs (2) and (3) below and subject to the indemnity obligations in the Warner Village Intercreditor Agreement and any restrictions on release in the Intercreditor Agreement, the Security Agent may at its sole discretion and without reference to any other Senior Creditor or Subordinated Creditor take such action as it deems necessary or advisable to release any assets from the Security constituted by the Senior Security Documents and the Warner Village Security Documents to the extent that their disposal or release is:
  - (i) permitted (or not prohibited) or required by the original form of any Senior Document (other than the Warner Village Intercreditor Agreement); or
  - (ii) otherwise permitted or required by the terms of the Warner Village Intercreditor Agreement including pursuant to any instructions given to it in accordance with the paragraph relating to instructions below.
- (2) Subject to the indemnity obligations in the Warner Village Intercreditor Agreement and any restrictions on release in the Intercreditor Agreement if, in accordance with the Senior Documents all of the shares in the capital of any Obligor (or all of the shares in any other member of the Group) are disposed of so that any Obligor ceases as a result to be a member of the Group or ceases to be a subsidiary of the Issuer, the security provided over those shares (and over any assets of that Obligor (or member of the Group) (and over any assets of any subsidiary of that Obligor (or member of the Group) being disposed of at the same time) under the Senior Security Documents, the Warner Village Security Documents and any related guarantee and other liabilities under any Senior Document or Warner Village Security Documents (including the Deed) to which the relevant companies being disposed of are subject, will be released by the Security Agent.
- (3) Subject to the indemnity obligations in the Warner Village Intercreditor Agreement and any restrictions on release in the Intercreditor Agreement, if any of the circumstances specified below apply in relation to any asset over which a security has been created under any Senior Security Document and/or Warner Village Security Document those assets will be released from such security and any related guarantee (including the Deed). The Security Agent and the Subordinated Creditors must execute the relevant release documents at the expense of the relevant Obligor promptly upon (and only upon) the Security Agent being satisfied that the release is permitted under this paragraph and is in accordance with the Intercreditor Agreement. The circumstances in which this paragraph applies are:
  - (i) where a disposal is to be made to a person or persons outside (and which will remain outside) the Group of any assets owned by any Obligor where:
    - prior to the Senior Discharge Date, the disposal is in accordance with the Intercreditor Agreement or the Security Agent has received instructions from the relevant Senior Creditors (or a creditor representative on behalf of the relevant Senior Creditors) that comply with the paragraph relating to instructions below instructing it to release the relevant security over such asset; or
    - the disposal is permitted or not expressly prohibited by the terms of the relevant Senior Document; or
    - such disposal is being made at the request of the Security Agent in circumstances where any security created by the Security Documents has become enforceable; or
    - such disposal is being effected by enforcement of a Security Document; or
  - (ii) where leasehold property is charged under a floating charge contained in any of the Senior Security Documents or Warner Village Security Documents in circumstances where such floating charge breaches the provisions of such lease and prior to the Senior Discharge Date, the Senior Creditors agree to such release or the Security Agent has received instructions from

the relevant Senior Creditors (or the relevant Creditor Representative) that comply with the paragraph relating to instructions below, instructing it to release the relevant security over such lease.

- (4) In connection with any release contemplated in paragraphs (1), (2) or (3) above, the proceeds of any disposal (or an amount corresponding to it) must be applied in accordance with the requirements of the Senior Documents (if any).
- (5) In connection with any release contemplated in paragraphs (1), (2) or (3) above, the Security Agent is authorized by each other Senior Creditor and Subordinated Creditor to execute on behalf of itself and each such Senior Creditor and Subordinated Creditor without the need for any further referral to, or authority from, any Senior Creditor, Subordinated Creditor or other party all necessary releases of any security, liabilities or guarantees (including the Deed) given by any Obligor under any Senior Document or Warner Village Security Document in relation to the disposal of any asset which is permitted or not expressly prohibited or required under or consented to in accordance with the Senior Documents including:
  - (i) any formal release of any asset which the Security Agent in its absolute discretion considers necessary or desirable in connection with that disposal;
  - (ii) any release of any liability or guarantee (including the Deed) given under any Senior Document or Warner Village Security Document or any other document referred to therein where all the shares in the capital of the Obligor giving such guarantee (or any holding company of it) are so disposed of in accordance with the terms of and without any breach of the Senior Documents; and
  - (iii) any release of any security given by any Obligor which is, or is a subsidiary of a company which is, sold in accordance with the terms of and without any breach of the Senior Documents.

### **Instructions**

- (1) After any Senior Creditor (or the Security Agent or relevant creditor representative on its behalf) has taken any enforcement action under the Intercreditor Agreement (the "Enforcement Event") or after any security constituted by the Senior Security Documents or any part of it is enforced, the Security Agent shall (and is authorized by each other Senior Creditor to) act (or refrain from acting or exercising any right, power, authority or discretion vested in it) in accordance with any instructions given to it by the relevant creditor representative pursuant to the Intercreditor Agreement and such instructions will override any contrary instructions given by or on behalf of the Subordinated Creditors.
- (2) Prior to the occurrence of the matters set out in paragraph (1) above, the Security Agent shall act in accordance with:
  - (i) the terms of the Warner Village Intercreditor Agreement; or
  - (ii) instructions received from, or on behalf of the relevant Senior Creditors (or a creditor representative on their behalf) pursuant to the Intercreditor Agreement.
- (3) The Security Agent is not liable to any other Senior Creditor or Subordinated Creditor for any act (or omission) if it acts (or refrains from taking any action) in accordance with the terms of the Warner Village Intercreditor Agreement and, in particular, the Security Agent is not liable to the Subordinated Creditors in complying with paragraph on release of security in the Warner Village Intercreditor Agreement or any instructions of any Senior Creditor or the relevant Senior Creditors (or a creditor representative on their behalf) under paragraph (1) above, if such action would have required any consent under any Warner Village Security Document.
- (4) Any instructions given to the Security Agent in accordance with the terms of the Warner Village Intercreditor Agreement are binding on all of the other Senior Creditors and Subordinated Creditors and they are not be entitled to object to anything done or omitted to be done as a result of such instructions.
- (5) Notwithstanding anything contained in the Warner Village Intercreditor Agreement, but subject to the indemnity obligation in the Warner Village Intercreditor Agreement, in the event of a conflict or inconsistency between the Intercreditor Agreement and the Warner Village Intercreditor Agreement in respect of the release of any security constituted by the Senior Security Documents or the Warner



Village Security Documents, the parties acknowledge that the release of such security shall be deemed to be permitted (and the Security Agent shall be authorized to release such security) to the extent that the release of the security is in accordance with the Intercreditor Agreement.

### ***Indemnity obligations***

Where there is a disposal of assets as contemplated in the paragraphs on release of security above and such disposal is a disposal of a Guaranteed Lease or a Guaranteed Lease Company (as each such term is defined in the Warner Village Intercreditor Agreement), the Security Agent is only entitled to release the security constituted by the Warner Village Security Documents and any guarantee (including the Deed) where, as regards the purchaser of such Guaranteed Lease or Guaranteed Lease Company, the provisions regarding the undertakings and indemnities to be given in respect of circuit sales and individual multiplex sales in the Deed (to the extent applicable) have been complied with by the relevant member of the Group, if requested by the Subordinated Creditor (acting reasonably).

In circumstances where there is a disposal of assets (other than shares or quotas ("quotas" being, for the purposes of this paragraph, participations akin to shares in respect of companies incorporated in certain jurisdictions other than the UK)) as contemplated by the paragraphs on release of security above:

- only the assets that are the subject of the disposal may be released from the security constituted by the Warner Village Security Documents; and
- there may be no release in relation to such disposal of assets, of the company or companies which owned such assets immediately prior to such disposal from the obligations contained in the Deed to the extent that such obligations were binding on such company or companies prior to such disposal.

In circumstances where there is a disposal of shares or quotas as contemplated in the paragraphs on release of security above:

- only those shares or quotas and the assets owned by the company (and any of its subsidiaries) whose shares or quotas are being disposed of whether directly or indirectly may be released from the security constituted by the Warner Village Security Documents; and
- the Deed may only be released in such circumstances to the extent that the company (and any of its subsidiaries) whose shares or quotas are being disposed of was bound by the Deed prior to such disposal.

The provisions of the paragraphs above do not apply in any respect following the occurrence of an Enforcement Event.

### ***Subordinated Creditor rights***

Neither of the Subordinated Creditors nor any member of their respective Groups (as defined in the Deed) are restricted by the terms of the Warner Village Intercreditor Agreement from exercising any rights or remedies they may have under, amongst others, the Deed, Permitted WV Security and the WV Acquisition Agreement ("WV Transaction Documents") or any other agreement under which any of them enjoy any rights for the time being (excluding, for the avoidance of doubt, the Warner Village Security Documents the rights and remedies under which are regulated by the terms of the Warner Village Intercreditor Agreement), provided that nothing contained in the WV Transaction Documents or any other agreement in relation to the Warner Village Subordinated Debt overrides or supersedes the ranking and subordination arrangements contained in the Warner Village Intercreditor Agreement.

The Issuer and the Obligors (as defined in the Warner Village Intercreditor Agreement) undertake in favor of the Subordinated Creditors that they will not agree to increase the aggregate amount of Senior Debt (as defined in the Warner Village Intercreditor Agreement) after the date of such intercreditor agreement which would result in the Issuer being in breach of its obligations under clause (b) of the second paragraph under the caption "*— Incurrence of Indebtedness and Issuance of Preferred Stock*" in the "*Description of the Notes*", in the form as of the date of the Warner Village Intercreditor Agreement without the prior written consent of the Subordinated Creditors.

### ***Certain Definitions***

For purposes of this section "*— Warner Village Intercreditor Agreement,*"



"Obligor" means the original obligors under the Warner Village Intercreditor Agreement and any body corporate which may become a party to the Warner Village Security Documents or which guarantees the Warner Village Subordinated Debt (or any part thereof) or grants any security in respect thereof; and

"Permitted WV Security" means:

- the Warner Village Security Documents;
- in relation to the Warner Village Subordinated Debt only, any security where the Senior Creditors are simultaneously granted a prior ranking security in the same assets from the same person;
- in relation to the Warner Village Subordinated Debt only, any security over the assets of any of any Obligor granted in favor of the Subordinated Creditors in circumstances where each of the following conditions have been met prior to the granting of such security by such Obligor:
  - (i) the Senior Creditors are entitled, under the terms of the Senior Documents, to take such security;
  - (ii) the granting of such security is expressly required by the form of the Deed in force on the date of the Warner Village Intercreditor Agreement;
  - (iii) the Security Agent has been given written notice by the Issuer or by one or more of the Subordinated Creditors of such proposed security; and
  - (iv) a creditor representative has not given written notice to the Issuer or either of the Subordinated Creditors within 60 days of receipt of the notice referred to in (iii) above that it requires a prior ranking security over the assets which are to be subject to the security that it is proposed to be granted to the Subordinated Creditors (but if the notice referred to in this paragraph is so given but the requisite security is not taken by the Security Agent or other Senior Creditor within a timescale considered to be reasonable by all parties in all the circumstances after the giving of such notice then the proposed security taken by the Subordinated Creditors shall be treated as Permitted WV Security for the purposes of this definition).

## **Hedging Arrangements**

We currently maintain certain interest rate and basis swaps. For a description of our current hedging arrangements, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Qualitative and Quantitative Disclosure about Market and Operating Risk — Interest Rate Risk."* We rolled over certain of our existing interest rate and basis swaps in connection with the Transactions with the consent of the hedge counterparties. Pursuant to such roll over, the hedging providers benefit from security and guarantee rights that rank equally with the rights of the lenders under the Revolving Credit Facility.

## **FFA Loan**

Certain entities in the CinemaxX group have been granted subsidies from the German Federal Film Board (the "FFA") in an aggregate amount of approximately €1.2 million which has been partly repaid, reducing the loan balance to €0.4 million as of August 28, 2014. These subsidies have been granted in the forms of loans, most of which have a maturity period between four to six years. Most of the loans were taken in connection with acquisition of plasma screens, undertaking renovation works and refurbishment of cinemas.

## **Rent Guarantees**

### **Germany**

Certain entities in the CinemaxX group have entered into bank guarantee agreements with Bayerische Landesbank, R+V Allgemeine Versicherung AG and UniCredit Bank AG in an aggregate amount of approximately €22.7 million. All of these bank guarantees have been used to guarantee the rent obligations of certain CinemaxX group entities under lease agreements. In connection with these bank guarantees, cash collateral is held by the banks providing guarantees. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources."*

**Poland**

In respect of certain Multikino properties, corporate guarantees were given in favor of the landlord to guarantee the rent obligations. These guarantees are provided by Vue Holdings (Jersey) Limited. The current aggregate value of these guarantees is approximately PLN 2.18 million.

**Italy**

Under its existing bank facilities, The Space is party to a bank guarantee facility which provides for the issuance of guarantees by UniCredit S.p.A. up to a maximum amount of €31.0 million to guarantee The Space's obligations under lease agreements. The bank guarantee facility is secured by certain assets of The Space. The Issuer is considering entering into discussions with UniCredit S.p.A. regarding the continuation of this bank guarantee facility. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources."*

**Warner — The Space Deed of Indemnity**

On May 28, 2009, Capitolosette entered an agreement (the "Warner Agreement") with Warner Village Cinemas S.p.A. (which has since been merged into Warner Bros. Entertainment Italia S.p.A.) ("Warner") to purchase 15 multiplex cinemas operated by Warner (the "Warner Business"). Certain financial obligations of Warner under its lease agreements for the cinema premises were guaranteed by Village Cinemas International PTY Ltd and Warner Bros. Theatres Ltd. (together, the "Warner Guarantors"). In connection with Capitolosette's purchase of the Warner Business, Capitolosette's subsidiary The Space Cinema 1 entered into a deed of indemnity (the "Deed of Indemnity") to indemnify the Warner Guarantors against any loss incurred by them as a result of an enforceable judgment or decision or order of a competent authority issued against any Warner Guarantor in relation to any breach of the lease or sub-lease agreements of the Warner Business occurring after the date of transfer (June 30, 2009), including without limitation all costs incurred in connection with defending or settling any claims in respect thereof. Under the Deed of Indemnity, The Space Cinema 1 also undertook to deliver a bank guarantee securing its obligations under the Deed of Indemnity and to ensure that none of the real estate assets of the Warner Business are transferred unless the assignee provides a substantially similar indemnity, to apply in respect of each real estate asset until the Warner Guarantors are deemed released from all continuing liability in relation to such real estate assets.

## DESCRIPTION OF THE NOTES

Vougeot Bidco p.l.c. (the “Company”) will issue €70.0 million aggregate principal amount of Floating Rate Senior Secured Notes due 2020 (the “New Floating Rate Notes”) under the indenture, dated as of July 18, 2013, as amended and supplemented by the supplemental indentures dated as of August 8, 2013, August 28, 2013, October 24, 2013, May 7, 2014 and to be dated as of the issue date of the New Floating Rate Notes (the “Indenture”), among, *inter alios*, the Company, The Bank of New York Mellon, London Branch, as the trustee (the “Trustee”) and Lloyds TSB Bank plc, as the security agent (the “Security Agent”), pursuant to which the Issuer issued £300.0 million aggregate principal amount of 7.875% Senior Secured Notes due 2020 (the “Original Fixed Rate Notes”) and €290.0 million aggregate principal amount of Floating Rate Senior Secured Notes due 2020 (the “Original Floating Rate Notes” and, together with the Original Fixed Rate Notes, the “Original Notes”). The New Floating Rate Notes will be issued in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”).

Certain defined terms used in this description but not defined under the caption “— Certain Definitions” have the meanings assigned to them in the Indenture. You can find the definitions of certain terms used in this description under the caption “— Certain Definitions.” In this description, references to (i) the “Company” refers only to Vougeot Bidco p.l.c. and not to any of its Subsidiaries and (ii) “we,” “our,” “us” refer to the Company and its Restricted Subsidiaries.

The New Floating Rate Notes constitute “Additional Notes” (as defined under the Indenture), and constitute a single class of debt securities with the Original Floating Rate Notes and any Additional Floating Rate Notes (as defined below) issued under the Indenture for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Original Floating Rate Notes and the New Floating Rate Notes offered hereby will be collectively referred to in this “Description of the Notes,” together with any Additional Floating Rate Notes (as defined below) issued after the date hereof, as the “Floating Rate Notes” and the Floating Rate Notes together with any Original Fixed Rate Notes and Additional Fixed Rate Notes (as defined below) issued after the date hereof, as the “Notes.” Except and to the extent expressly stated herein, the Original Fixed Rate Notes and the Floating Rate Notes constitute a single class for all purposes under the Indenture. The Security Documents referred to under the caption “— Security” define the terms of the security that will secure the Notes. The Indenture is not qualified under the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Indenture and the Notes and refers to the Security Documents, the Intercreditor Agreement and the Warner Village Intercreditor Agreement, and certain other agreements relating to the Notes. This description does not restate those agreements in their entirety. In addition, the Indenture contains provisions with respect to the Original Notes relating to Escrowed Property and the Escrow Agreement (each as defined therein), including provisions relating to Special Mandatory Redemption (as defined therein). All of the Escrowed Property has been released in accordance with those provisions as set forth in the Indenture. We urge you to read the Indenture, the Notes, the Security Documents, the Intercreditor Agreement and the Warner Village Intercreditor Agreement because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture, the form of Note, the Security Documents, the Intercreditor Agreement and the Warner Village Intercreditor Agreement are available as set forth under the caption “— Additional Information.”

The registered holder of a Note (each, a “Holder”) will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

As of the Issue Date, all of the Company’s Subsidiaries will be “Restricted Subsidiaries” for purposes of the Indenture. Under the circumstances described under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” the Company will be permitted to designate Restricted Subsidiaries as “Unrestricted Subsidiaries.”

### Brief Description of the Notes and the Guarantees

#### ***The Notes***

The Notes:

- will be or are general obligations of the Company;
- will be or are guaranteed by the Guarantors;

- will be or are secured by first-ranking Liens over the Collateral, but will receive proceeds from enforcement of the Liens over the Collateral only after any obligations under the Revolving Credit Facility and certain priority Hedging Obligations have been paid in full;
- will be or do rank *pari passu* in right of payment with all existing and future obligations of the Company that are not subordinated in right of payment to the Notes, including its obligations under the Revolving Credit Facility;
- will be or do rank senior in right of payment to all existing and future Indebtedness of the Company that is subordinated in right of payment to the Notes;
- will be or are effectively subordinated to any existing and future obligations of the Company that are secured by property or assets that do not secure the Notes or that secure the Revolving Credit Facility and certain Hedging Obligations on a priority basis, to the extent of the value of the property and assets securing such obligations; and
- will be or are structurally subordinated to any existing and future obligations of the Company's Subsidiaries that are not Guarantors.

## **Guarantees**

The Notes are, or will be, as applicable, guaranteed by the Guarantors. For a description of certain guarantee limitations, see "Limitations on Validity and Enforceability of the Guarantees and the Collateral and Certain Insolvency Law Considerations."

The Guarantee of each Guarantor:

- is, or will be, as applicable, a general obligation of that Guarantor;
- is, or will be, as applicable, secured by first-ranking Liens over the Collateral, but will receive proceeds from enforcement of the Liens over the Collateral only after any obligations under the Revolving Credit Facility and certain priority Hedging Obligations have been paid in full;
- is, or will be, as applicable, effectively subordinated to any existing and future obligations of the relevant Guarantor that are secured by property or assets that do not secure such Guarantees, to the extent of the value of the property and assets securing such obligations;
- ranks, or will rank, as applicable, *pari passu* in right of payment with all existing and future obligations of such Guarantor that are not subordinated in right of payment to such Guarantee, including its obligations under the Revolving Credit Facility;
- is, or will be, as applicable, subject to certain restrictions on enforcement of Collateral, including a 30-day consultation period with lenders under the Revolving Credit Facility Agreement and an automatic release of the Guarantee of any Guarantor to the extent such Subsidiary is sold by the Security Agent pursuant to an enforcement action. See "Description of Certain Financing Arrangements — Intercreditor Agreement; and
- is, or will be, as applicable, senior in right of payment to all existing and future Indebtedness of such Guarantor that is subordinated in right of payment to such Guarantee.

As of and for the 52 week period ended August 28, 2014, the Issuer and the Guarantors represented 87.4% of the Issuer's consolidated turnover, 94.6% of the Issuer's consolidated total assets and 86.2% of the Issuer's consolidated EBITDA, before taking into account The Space Acquisition. Following the completion of The Space Acquisition, The Space Bidco will be a Guarantor and will provide a share charge over its shares which are owned by Vue Entertainment Limited. None of The Space entities will be Guarantors, nor will they provide any lien to secure the obligations under the Notes. The Space Bidco is a holding company with no operating history, independent business operations or source of revenue, and its only significant asset following the completion of The Space Acquisition will be its equity interests in Capitololette S.r.l.

The Company is a holding company without operations, and, therefore, the Company depends on the cash flow of its Subsidiaries to meet its obligations, including its obligation under the Notes. The Notes are, and will be, effectively subordinated to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Company's Subsidiaries that do not provide Guarantees.

## Intercreditor Agreement

On July 18, 2013, the Trustee entered into an Intercreditor Agreement with, among others, the agents and lenders under the Revolving Credit Facility Agreement and holders of certain Subordinated Shareholder Debt, the Security Agent and certain counterparties to our existing Hedging Obligations. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility, certain priority Hedging Obligations that are permitted to be incurred by clause (8) of the second paragraph of the covenant under the caption “— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock” and certain future Indebtedness permitted under the Indenture (subject to the Intercreditor Agreement and any Additional Intercreditor Agreement), if any, and permitted to be secured on the Collateral (see “— Certain Definitions — Permitted Collateral Liens”) will receive priority with respect to any proceeds received upon any enforcement over any Collateral. Any proceeds received upon any enforcement over any Collateral, after all obligations under the Revolving Credit Facility have been repaid, certain future indebtedness permitted by the Indenture (subject to the Intercreditor Agreement and any Additional Intercreditor Agreement), if any, and such Super Senior Hedging Liabilities (as described in “Description of Certain Financing Arrangements — Intercreditor Agreement”) have been discharged from such recoveries, will be applied pro rata in repayment of all obligations under the Indenture and the Notes and any other Indebtedness of the Company and the Guarantors permitted to be incurred and secured by the Collateral on a *pari passu* basis pursuant to the Indenture and the Intercreditor Agreement.

## Warner Village Intercreditor Agreement

On July 18, 2013, the Trustee entered into the Warner Village Intercreditor Agreement, with, among others, the Security Agent, Time Warner Entertainment Limited and VC Eye Pty Limited. Pursuant to the terms of the Warner Village Counter-Indemnity (as defined in the Warner Village Intercreditor Agreement), Time Warner Entertainment Limited and VC Eye Pty Limited are entitled to receive the benefit of the Permitted WV Security. Pursuant to the terms of the Warner Village Intercreditor Agreement, the rights of Time Warner Entertainment Limited and VC Eye Pty Limited in respect of the Subordinated Security Documents (as defined in the Warner Village Intercreditor Agreement), are expressly subordinated to the holders of the Notes. The Warner Village Intercreditor Agreement subordinates all present and future sums, liabilities or obligations from time to time due, owing or incurred (actually or contingently) by any member of the group that grants security pursuant to the Subordinated Security Documents to each of the Time Warner Entertainment Limited and VC Eye Pty Limited. The Warner Village Intercreditor does not subordinate any contractual claim that Time Warner Entertainment Limited and VC Eye Pty Limited may have in respect of the Subordinated Debt (as defined in the Warner Village Intercreditor Agreement). The Warner Village Intercreditor Agreement provides that Time Warner Entertainment Limited and VC Eye Pty Limited will not be entitled to enforce security interests granted pursuant to the Subordinated Security Documents until the Super Senior Discharge Date (as defined in the Intercreditor Agreement) has occurred, and any proceeds arising out of the enforcement of the Collateral by the Security Agent, to the extent it also constitutes Permitted WV Security, will only be paid to Time Warner Entertainment Limited and VC Eye Pty Limited after repayment of the Credit Facility Indebtedness, Hedging Obligation Indebtedness and Indebtedness incurred pursuant to the Indenture. See “Description of Certain Financing Arrangements — Warner Village Intercreditor Agreement.”

## Principal, Maturity and Interest

The Company will issue in this offering €70.0 million aggregate principal amount of New Floating Rate Notes pursuant to the Indenture. The Company may issue additional Fixed Rate Notes (the “*Additional Fixed Rate Notes*”) and additional Floating Rate Notes (the “*Additional Floating Rate Notes*” and, together with the Additional Fixed Rate Notes, the “*Additional Notes*”) under the Indenture from time to time after this offering. Any issuance of Additional Notes (including the New Floating Rate Notes) is subject to all of the covenants in the Indenture, including the covenant described under the caption “— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock.” The Notes and any Additional Notes (including the New Floating Rate Notes) subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in the Indenture. The Company will issue Notes in denominations of £100,000 and integral multiples of £1,000 in excess thereof, in the case of the Fixed Rate Notes, and in denominations of €100,000 and integral multiples of €1,000, in the case of the Floating Rate Notes. The Notes will mature on July 15, 2020. Each of the Fixed Rate Notes and Floating Rate Notes will constitute a separate series of Notes, but shall be treated as a single class for all purposes under the Indenture, including in

respect of any amendment, waiver or other modification of the Indenture or any other action by the holders of the Notes hereunder, except as otherwise provided in the Indenture.

### **Fixed Rate Notes**

Interest on the Fixed Rate Notes will accrue at the rate of 7.875% per annum. Interest on the Fixed Rate Notes will be payable semi-annually in arrears on February 1 and August 1, commencing on February 1, 2014. Interest on overdue principal and interest, including Additional Amounts (as defined herein), if any, will accrue at a rate that is 1% higher than the interest rate on the Fixed Rate Notes. The Company will make each interest payment to the holders of record on the immediately preceding January 15 and July 15.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

### **Floating Rate Notes**

The Floating Rate Notes will bear interest at a rate per annum (the "*Applicable Rate*"), reset quarterly, equal to EURIBOR plus 5.25%, as determined by an agent appointed by the Company to calculate EURIBOR for the purposes of the Indenture (the "*Calculation Agent*"), which shall initially be The Bank of New York Mellon, London Branch.

Interest on the New Floating Rate Notes will be payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, commencing on January 15, 2015. If a particular interest payment date is not a business day, then the payment date will move to the next business day. Therefore the interest period will be one or more days longer. The Company will pay interest to the Holders of record on the January 1, April 1, July 1 or October 1 immediately preceding the applicable interest payment date, as the case may be. The New Floating Rate Notes will bear interest from (and including) October 15, 2014.

The Calculation Agent will, as soon as practicable after 11:00 a.m., Brussels time, on each Determination Date, determine the Applicable Rate, and calculate the aggregate amount of interest payable on the Floating Rate Notes in respect of the following Interest Period (the "*Interest Amount*"). The Interest Amount will be calculated by applying the Applicable Rate to the principal amount of the Floating Rate Notes outstanding at the commencement of the Interest Period, multiplying each such amount by the actual number of days in the Interest Period concerned divided by 365.

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 0.04876545) being rounded to 4.87655% (or 0.0487655)). 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, bad faith or manifest error, be binding on all parties.

The Calculation Agent will, upon the written request of the Holder of any Floating Rate Note, provide the interest rate then in effect with respect to the Floating Rate Notes.

The rights of holders of beneficial interests in the Floating Rate Notes to receive the payments of interest on the Notes will be subject to applicable procedures of Euroclear and Clearstream, as applicable.

Interest will be computed on the basis of a 365-day year and the actual number of days elapsed. Interest on overdue principal and interest and Additional Amounts and premium, if any, will accrue at a rate that is 1% higher than the then Applicable Rate on the Floating Rate Notes.

The Applicable Rate on the Floating Rate Notes will in no event be higher than the maximum rate permitted by applicable law.

Set forth below is a summary of certain of the defined terms used in the Indenture relating to the calculation of interest on the Floating Rate Notes:

"*Determination Date*," with respect to an Interest Period, will be the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

"*EURIBOR*," with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Reuters Screen EURIBOR 01 Page as of 11:00 a.m. Brussels time, on the Determination Date. If Reuters Screen EURIBOR 01 Page does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major



banks in the Euro-zone interbank market, as selected by the Calculation Agent to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the Euro-zone interbank market for deposits in a Representative Amount in euro for a three- month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in London, as selected by the Calculation Agent, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., Brussels time, on such Determination Date, for loans in a Representative Amount in euro to leading European banks for a three- month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided, then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

*"Euro-zone"* means the region composed of member states of the European Union that at the relevant time have adopted the euro.

*"Interest Period"* means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date.

*"Representative Amount"* means the greater of (a) €1.0 million and (b) an amount that is representative for a single transaction in the relevant market at the relevant time.

*"Reuters Screen EURIBOR 01 Page"* means the display page so designated on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

*"TARGET Settlement Day"* means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

### **Paying Agent and Registrar for the Notes**

The Company will maintain one or more paying agents (each, a *"Paying Agent"*) for the Notes, including a Paying Agent in the City of London. The Company will ensure that it maintains a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive. The initial Paying Agent in London is The Bank of New York Mellon, London Branch.

The Company will also maintain one or more registrars (each, a *"Registrar"*) for so long as the Notes are listed on the Irish Stock Exchange and its rules so require. The Company will also maintain a transfer agent (a *"Transfer Agent"*) in London. The initial Transfer Agent is The Bank of New York Mellon, London Branch. The Registrar and the Transfer Agent will maintain a register reflecting ownership of Definitive Registered Notes (as defined under *"Book-Entry, Delivery and Form"*) outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on behalf of the Company.

The Company may change the Paying Agents, the Registrars or the Transfer Agents without prior notice to the holders of Notes. For so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the rules of the Irish Stock Exchange so require, the Company will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Dublin (which is expected to be the *Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)).

### **Transfer and Exchange**

Each series of Original Notes and New Floating Rate Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act is (with respect to the Original Notes) and will be (with respect to the New Floating Rate Notes) represented by one or more global Notes in registered form without interest coupons attached (the *"Original 144A Global Notes"* and the *"New 144A Global Notes"*, respectively, and together, the *"144A Global Notes"*), and each series of Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act is or will be represented by one or more

global Notes in registered form without interest coupons attached (the “*Original Reg S Global Notes*” and the “*New Reg S Global Notes*”, respectively, and together, the “*Reg S Global Notes*” and together with the 144A Global Notes, the “*Global Notes*”). The New 144A Global Notes and the New Reg S Global Notes will not be fungible with the Original 144A Global Notes and the Original Reg S Global Notes, respectively. See “Book-Entry, Delivery and Form” and “Notice to Investors” for restrictions on transfer of the Additional Notes.

Ownership of interests in the Global Notes (the “*Book-Entry Interests*”) are (with respect to the Original Notes) and will be (with respect to the New Floating Rate Notes) limited to Persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof are (with respect to the Original Notes) and will be (with respect to the New Floating Rate Notes) subject to the restrictions on transfer and certification requirements summarized below and described more fully under “Notice to Investors.” In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream are (with respect to the Original Notes) and will be (with respect to the New Floating Rate Notes) effected by Euroclear or 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, or the “*Restricted Book-Entry Interest*,” may be transferred to a Person who takes delivery in the form of Book-Entry Interests in the 144A Global Notes, as applicable, or the “*Reg S Book-Entry Interests*,” only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act.

Any Book-Entry Interest (as defined under “Book-Entry, Delivery and Form”) 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, with respect to the Floating Rate Notes, are issued, they will be issued only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Company in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “Notice to Investors.”

Subject to the restrictions on transfer referred to above, Floating Rate Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 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 Indenture requires the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at Euroclear or Clearstream where appropriate, furnish certain certificates and opinions and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange; *provided that*, if the Company or any Guarantor takes delivery of the Definitive Registered Notes pursuant to the transfer or exchange, the holder will not be required to pay such Taxes.

Notwithstanding the foregoing, the Company is not required to register the transfer of any Definitive Registered Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any interest payment date; or
- (4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

The Company, the Trustee and the Paying Agents will be entitled to treat the holder of a Note as the owner of it for all purposes.

### **Additional Amounts**

All payments made by or on behalf of the Company under or with respect to the Notes or any of the Guarantors with respect to any Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Company or any Guarantor is then incorporated or organized, engaged in business for tax purposes or otherwise resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Company or any Guarantor (including the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each, a "*Tax Jurisdiction*") will at any time be required to be made from any payments made by or on behalf of the Company under or with respect to the Notes or any of the Guarantors with respect to any Guarantee, including, without limitation, payments of principal, redemption price, purchase price, interest or premium, the Company or the relevant Guarantor, as applicable, will pay such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by each holder after such withholding, deduction or imposition (including any such withholding, deduction or imposition from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no Additional Amounts will be payable with respect to:

- (1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any present or former connection between the holder or the beneficial owner of the Notes (or between a fiduciary, settlor, beneficiary, partner of, member or shareholder of, or possessor of a power over, the relevant holder, if the relevant holder is an estate, trust, nominee, partnership, limited liability company or corporation) and the relevant Tax Jurisdiction (including, without limitation, being or having been a citizen, resident, or national thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein), but excluding any connection arising merely from the holding of such Note, the enforcement of rights under such Note or under a Guarantee or the receipt of any payments in respect of such Note or a Guarantee;
- (2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);
- (3) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;
- (4) any Taxes withheld, deducted or imposed on a payment to an individual that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive;
- (5) any Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;
- (6) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Guarantee;
- (7) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the holder or beneficial owner of Notes, following the Company's written request addressed to the holder or beneficial owner (and made at a time that would enable the holder or beneficial owner acting reasonably to comply with that request), to comply with any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or published administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally entitled to provide such certification or documentation;

- (8) any Taxes imposed on or with respect to any payment by the Company or a Guarantor to the holder if such holder is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment to the extent that Taxes would not have been imposed on such payments had such holder been the sole beneficial owner of such Note; or
- (9) any combination of items (1) through (8) above.

In addition to the foregoing, the Company and the Guarantors will also pay and indemnify the holders for any present or future stamp, issue, registration, court or documentary taxes, or any other excise or property Taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance or registration of any of the Notes, the Indenture or any Guarantee or any other document referred to therein (other than a transfer of the Notes other than the initial resale by the Initial Purchasers) or the receipt of any payments with respect thereto (limited, solely in the case of taxes attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Tax Jurisdiction that are not excluded under clauses (1) through (5), (7) or (8) above or any combination thereof), or any such Taxes, charges or similar levies imposed by any Tax Jurisdiction as a result of, or in connection with, the enforcement of any of the Notes or any Guarantee.

If the Company or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Guarantee, the Company or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the Company or the relevant Guarantor becomes aware of the obligation to pay Additional Amounts arises less than 45 days prior to that payment date, in which case the Company or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate must also set forth any other information reasonably necessary to enable the Paying Agents to pay Additional Amounts to holders on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Company or the relevant Guarantor will make or cause to be made all withholdings and deductions required by law and will timely remit or cause to be remitted the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Company or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Company or the relevant Guarantor will furnish to the Trustee, within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Company or the Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity. Upon reasonable request, copies of tax receipts or other evidence of payment, as the case may be, will be made available by the Trustee to the holders or beneficial owners of the Notes. If requested by the Trustee, the Company or the Guarantors will provide to the Trustee such information as may be in the possession of the Company or the Guarantors (and not otherwise in the possession of the Trustee) to enable the Trustee to determine the amount of withholding taxes attributable to any particular holder, *provided, however*, that in no event shall the Company or the Guarantors be required to disclose any information that it reasonably deems to be confidential.

Whenever in the Indenture or in this "Description of the Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or Guarantees, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Company or any Guarantor is incorporated, organized, engaged in business for tax purposes or resident for tax purposes or any jurisdiction from or through which such Person makes any payment on the Notes (or any Guarantee) and any department or political subdivision thereof or therein.

## **The Guarantees**

The Notes are or will be, as applicable, guaranteed by each Guarantor. The Guarantees are joint and several obligations of each Guarantor.

Each of the Guarantees and the amounts recoverable thereunder are, or will be, as applicable, limited to the maximum amount that can be guaranteed by a particular Guarantor without rendering its guarantee voidable or otherwise ineffective under applicable law, including laws relating to fraudulent conveyance, fraudulent transfer, maintenance of share capital, corporate benefit, financial assistance or similar laws affecting the rights of creditors generally, or otherwise to reflect applicable laws, including laws relating to capital maintenance and the liability of directors and officers. By virtue of these limitations, a Guarantor's obligations under its Guarantee or any security interest, as applicable, could be significantly less than amounts payable in respect of the Notes. See "Risk Factors — Each Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability" and "Limitations on Validity and Enforceability of the Guarantees and the Collateral and Certain Insolvency Law Considerations."

The operations of the Company are conducted through its Subsidiaries and, therefore the Company depends on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Notes. Not all of the Company's Subsidiaries guarantee or will guarantee the Notes. The Notes are, or will be, as applicable, effectively subordinated in right of payment to all obligations (including trade payables and lease obligations) of the Company's non-guarantor Subsidiaries. Any right of the Company or any Guarantor to receive assets of any of its non-guarantor Subsidiaries upon that non-guarantor Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) are, or will be, as applicable, effectively subordinated to the claims of that non-guarantor Subsidiary's creditors, except to the extent that the Company or such Guarantor is itself recognized as a creditor of the non-guarantor Subsidiary, in which case the claims of the Company or such Guarantor, as the case may be, would still be subordinated in right of payment to any security in the assets of the non-guarantor Subsidiary and any obligations of the non-guarantor Subsidiary senior to that held by the Company or such Guarantor.

### ***Release of the Guarantees***

The Guarantees will be released:

- (1) in connection with any sale, transfer or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if the sale, transfer or other disposition does not violate the "Asset Sale" provisions of the Indenture;
- (2) in connection with any sale, transfer or other disposition of Capital Stock of that Guarantor or any holding company of such Guarantor to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if the sale, transfer or other disposition does not violate the "Asset Sale" provisions of the Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale, transfer or other disposition;
- (3) if the Company designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;
- (4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the captions "— Legal Defeasance and Covenant Defeasance" and "— Satisfaction and Discharge";
- (5) as permitted by the Intercreditor Agreement and any Additional Intercreditor Agreement;
- (6) in accordance with the caption "— Amendment, Supplement and Waiver";
- (7) as a result of a transaction permitted by "— Merger, Consolidation or Sale of Assets"; or
- (8) with respect to the Guarantee of any Guarantor that was required to provide such Guarantee pursuant to the covenant described under the caption "— Certain Covenants — Limitation on Issuances of Guarantees of Indebtedness" upon such Guarantor being unconditionally released and discharged from its liability with respect to the Indebtedness giving rise to the requirement to provide such Guarantee so long as no Default or Event of Default would arise as a result and no other Indebtedness is at that time guaranteed by the relevant Guarantor that would result in the requirement that such Guarantor provide a Guarantee pursuant to the covenant described under the caption "— Certain Covenants — Limitation on Issuances of Guarantees of Indebtedness."



Upon any occurrence giving rise to a release as specified above, the Trustee will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Guarantee. Neither the Company nor any Guarantor will be required to make a notation on the Notes to reflect any such release, termination or discharge.

## **Collateral**

### **General**

The Notes and the Guarantees are or will be, as applicable, secured by first-ranking Liens over the following Collateral:

- share pledges over the shares or partnership interests, as the case may be, of the Issuer, Vue Entertainment International Limited, Vue Holdings (Jersey) Limited, Vue Beteiligungs GmbH, CinemaxX Holdings GmbH (formerly CinemaxX AG), CinemaxX Cinema GmbH, CinemaxX Cinema GmbH & Co. KG, CinemaxX Entertainment Verwaltungsgesellschaft mbH, CinemaxX Entertainment GmbH & Co. KG, CinemaxX Movietainment GmbH, Shake UK Newco Limited, Multikino S.A. and The Space Bidco;
- fixed and floating charges over the assets of the Issuer, Vue Entertainment International Limited and Aurora Cinema (Ireland) Limited;
- bank account charges over the bank accounts of CinemaxX Holdings GmbH (formerly CinemaxX AG), Vue Beteiligungs GmbH, CinemaxX Cinema GmbH & Co. KG, CinemaxX Entertainment GmbH & Co. KG, CinemaxX Movietainment GmbH, Vue Holdings (Jersey) Limited and Multikino S.A.;
- assignment of intercompany receivables owed to Vue Entertainment International Limited from Vue Holdings (Jersey) Limited and owed from VEIL to the Issuer;
- security assignment of certain receivables of CinemaxX Holdings GmbH (formerly CinemaxX AG), Vue Beteiligungs GmbH, CinemaxX Cinema GmbH & Co. KG, CinemaxX Movietainment GmbH and CinemaxX Entertainment GmbH & Co. KG;
- intellectual property assignments over certain intellectual property rights of CinemaxX Holdings GmbH (formerly CinemaxX AG) and CinemaxX Entertainment GmbH & Co. KG;
- pledges over certain assets and property rights, including material IP rights, of Multikino S.A.;
- mortgage over material real estate properties of Multikino S.A.;
- an English law share charge over the shares of Vue Holdings (UK) Limited and Shake UK Newco Limited; an English law share charge over the shares of Ster Century (UK) Limited; an English law debenture granted by the Issuer and certain Guarantors; and an English law debenture granted by Vougeot Midco Limited, in each case, as confirmed by a global deed of confirmation for purposes of securing the Additional Notes and the related Guarantees;
- Scottish law standard security over each real property owned by Vue Entertainment Limited located in Scotland; Scottish law standard security over each real property owned by Vue Cinemas (UK) Limited located in Scotland; and Scottish law standard security over each real property owned by Ster Century (UK) Limited located in Scotland, in each case, as confirmed by a global deed of confirmation for purposes of securing the Additional Notes and the related Guarantees; and
- an Irish law share charge over the shares of Aurora Cinema (Ireland) Limited; and Irish law debentures granted by Aurora Cinema (Ireland) Limited and Ster Century (UK) Limited, in each case, as confirmed by Irish law deeds of confirmation.

The Collateral is or will be, as applicable, pledged pursuant to the Security Documents to the Security Agent on behalf of the holders of the secured obligations that are secured by the Collateral, including the holders of the Notes, the lenders under the Revolving Credit Facility Agreement and counterparties to certain Hedging Obligations.

Under the Indenture, the Company and the Restricted Subsidiaries are permitted to incur certain additional Indebtedness that may share in the Collateral, including additional Permitted Collateral Liens securing Indebtedness on a *pari passu* basis with the Notes, including Indebtedness under the Revolving Credit Facility and certain priority Hedging Obligations (*provided* that the proceeds from any recovery from the enforcement of any security interest will be applied to satisfy the obligations under the Revolving Credit



Facility, certain priority Hedging Obligations and certain future indebtedness permitted under the Indenture (subject to the Intercreditor Agreement, the Warner Village Intercreditor Agreement and any Additional Intercreditor Agreement), if any, before being applied to satisfy obligations to holders under the Notes and the Indenture). The amount of such Permitted Collateral Liens will be limited by the covenants described under the captions “— Certain Covenants — Liens” and “— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock.” Under certain circumstances, the amount of such additional Indebtedness secured by Permitted Collateral Liens could be significant.

The obligations under the Notes, the Revolving Credit Facility, certain Hedging Obligations and certain future Indebtedness permitted under the Indenture (subject to the Intercreditor Agreement, the Warner Village Intercreditor Agreement and any Additional Intercreditor Agreement), if any, are secured equally and ratably by first-ranking Liens over the Collateral, however, any proceeds received upon any enforcement over any of the Collateral will only be applied in repayment of the Notes, and all other debt secured on a priority basis with the Notes, after all liabilities in respect of the obligations under the Revolving Credit Facility and certain priority Hedging Obligations and certain future indebtedness permitted by the Indenture (subject to the Intercreditor Agreement, the Warner Village Intercreditor Agreement or any Additional Intercreditor Agreement), if any, have been paid from such recoveries. See “Description of Certain Financing Arrangements — Intercreditor Agreement” and “Description of Certain Financing Arrangements — Warner Village Intercreditor Agreement.”

Under the Security Documents, the Collateral is pledged by the Company and the Guarantors to secure the payment when due of the Company’s and the Guarantors’, as applicable, payment obligations under the Notes, the Guarantees and the Indenture. The Security Documents were, or will be, entered into by, *inter alios*, the Security Agent or its nominee(s), who will act as Security Agent for the lenders under the Revolving Credit Facility Agreement, counterparties to the Hedging Obligations, the Trustee and for the holders of Notes.

Each holder of Notes, by accepting a Note, shall be deemed (1) to have authorized the Trustee to enter into the Intercreditor Agreement, the Warner Village Intercreditor Agreement and the Security Agent to enter into the Security Documents, the Intercreditor Agreement and the Warner Village Intercreditor Agreement, and (2) to be bound thereby. Each holder of Notes, by accepting a Note, appoints the Trustee or the Security Agent, as the case may be, as its agent under the Security Documents, the Intercreditor Agreement and the Warner Village Intercreditor Agreement, and authorizes it to act as such.

The holders of the Notes are not a party to the Security Documents, and therefore 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, as applicable. The Security Agent will agree to any release of the security interest created by the Security Documents that is in accordance with the Indenture, the Intercreditor Agreement and the Warner Village Intercreditor Agreement without requiring any consent of the holders. The Trustee will have the ability to direct the Security Agent to commence enforcement action under the Security Documents in certain circumstances. See “Description of Certain Financing Arrangements — Intercreditor Agreement” and “Description of Certain Financing Arrangements — Warner Village Intercreditor Agreement.”

Subject to the terms of the Indenture, the Revolving Credit Facility Agreement and the Security Documents, the Company and the Guarantors, as the case may be, 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) in respect of the shares that are part of the Collateral until the occurrence of an Acceleration Event (as defined in the Intercreditor Agreement).

The value of the Collateral securing the Notes and the Guarantees may not be sufficient to satisfy the Company’s and the Guarantors’ obligations under the Notes and the Guarantees, and the Collateral securing the Notes and the Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. See “Risk Factors — The Proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations under the Notes.”

No appraisals of the Collateral have been prepared by or on behalf of the Company or the Guarantors in connection with this Offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture and the Security Documents following an

Acceleration Event (as defined in the Intercreditor Agreement), would be sufficient to satisfy amounts due on the Notes or the Guarantees. By its nature, some or all the Collateral may be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all. See “Risk Factors — It may be difficult to realize the value of the Collateral.”

The Security Documents will be governed by the law of the jurisdiction to which the relevant Collateral is subject and provide that the rights with respect to the Notes and the Indenture must be exercised by the Security Agent and in respect of the entire outstanding amount of the Notes. The term “Security Interests” refers to the Liens in the Collateral.

Under the Indenture, the Company and its Restricted Subsidiaries are permitted to incur certain additional Indebtedness in the future that may share in the Collateral, including Indebtedness with priority rights to proceeds from the enforcement of the Collateral. The amount of such additional Indebtedness will be limited by the covenants described under the captions “— Certain Covenants — Liens” and “— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock.” Under certain circumstances, the amount of such additional Indebtedness that may share in the Collateral could be significant.

Each of the Company and its Restricted Subsidiaries shall, and shall procure that each of its respective Subsidiaries, if any, shall, at its own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (1) for registering any Security Document relating to the Collateral in any required register and for perfecting or protecting the security intended to be afforded by such Security Document relating to the Collateral; and (2) if such Security Document is enforced in accordance with the terms of the Indenture, the relevant Security Document, the Intercreditor Agreement and the Warner Village Intercreditor Agreement, for facilitating the realization of all or any part of the assets which are subject to such Security Document and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of the Collateral. Each of the Company and its Restricted Subsidiaries shall, and shall procure that each of its respective Subsidiaries, if any, shall, execute such transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give such notices, orders and directions which the Security Agent may reasonably request.

### ***Release of the Collateral***

The Liens over the property and other assets constituting the Collateral securing the Notes and the Guarantees will be released under any one or more of the following circumstances:

- (1) in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets (including Capital Stock of Subsidiaries) to a Person that is not (either before or after giving effect to such transaction) the Company or any of its Restricted Subsidiaries, if the sale or other disposition does not violate the “Asset Sale” provisions of the Indenture;
- (2) in connection with any sale, transfer or other disposition of Capital Stock of that Guarantor or any holding company of such Guarantor to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if the sale, transfer or other disposition does not violate the “Asset Sale” provisions of the Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale, transfer or other disposition;
- (3) in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets of such Guarantor;
- (4) if the Company designates any of its Restricted Subsidiaries to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets of such Restricted Subsidiary;
- (5) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the captions “— Legal Defeasance and Covenant Defeasance” and “— Satisfaction and Discharge;”
- (6) as permitted by the Intercreditor Agreement, the Warner Village Intercreditor Agreement, and any Additional Intercreditor Agreement;
- (7) in accordance with the caption “— Amendment, Supplement and Waiver;”
- (8) in accordance with the covenant described under the caption “— Certain Covenants — Impairment of Security Interest;” and
- (9) upon a release of the Lien that resulted in the creation of the Lien under the covenant described under the caption “— Certain Covenants — Liens.”

The foregoing will not cause or permit, directly or indirectly, the Lien on the Capital Stock of the Company to be released, other than as expressly provided by (5) and (6) above.

The Security Agent will take all necessary action required to effectuate any release of Collateral securing the Notes and the Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement, the Warner Village Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be affected by the Security Agent without the consent of the holders or any action on the part of the Trustee.

## Optional Redemption

### ***Floating Rate Notes***

On or after July 15, 2014, the Company may on any one or more occasions redeem all or a part of the Floating Rate Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Floating Rate Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on July 15 of the years indicated below, subject to the rights of holders of the Floating Rate Notes on the relevant record date to receive interest on the relevant interest payment date:

<u>Date</u>	<u>Floating Rate Notes</u>
2014 . . . . .	101.000%
2015 and thereafter . . . . .	100.000%

Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Floating Rate Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption or notice may, in the Company's discretion, be subject to the satisfaction of one or more conditions precedent.

### ***Fixed Rate Notes***

At any time prior to July 15, 2016, the Company may on any one or more occasions, upon not less than 30 nor more than 60 days' notice, redeem up to 35% of the aggregate principal amount of the Fixed Rate Notes issued under the Indenture at a redemption price equal to 107.875% of the principal amount of the Fixed Rate Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of holders of the Fixed Rate Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of an Equity Offering of (i) the Company or (ii) any Parent Entity to the extent the proceeds from such Equity Offering are contributed to the Company's common equity capital or are paid to the Company as consideration for the issuance of ordinary shares of the Company; *provided* that:

- (1) at least 65% of the aggregate principal amount of the Fixed Rate Notes, originally issued under the Indenture (excluding the Fixed Rate Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and
- (2) the redemption occurs within 90 days of the date of the closing of such Equity Offering.

At any time prior to July 15, 2016, the Company may on any one or more occasions upon not less than 30 nor more than 60 days' notice, redeem all or a part of the Fixed Rate Notes at a redemption price equal to 100% of the principal amount of the Fixed Rate Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the Fixed Rate Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding two paragraphs and except pursuant to "— Redemption for Changes in Taxes," the Fixed Rate Notes will not be redeemable at the Company's option prior to July 15, 2016.

On or after July 15, 2016, the Company may on any one or more occasions redeem all or a part of the Fixed Rate Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Fixed Rate Notes redeemed, to the applicable date of redemption, if redeemed during the

twelve-month period beginning on July 15 of the years indicated below, subject to the rights of holders of the Fixed Rate Notes on the relevant record date to receive interest on the relevant interest payment date:

<u>Date</u>	<u>Fixed Rate Notes</u>
2016 .....	103.938%
2017 .....	101.969%
2018 and thereafter .....	100.000%

Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Fixed Rate Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption or notice may, in the Company's discretion, be subject to the satisfaction of one or more conditions precedent.

### **Redemption for Changes in Taxes**

The Company may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in "— Selection and Notice"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption (a "*Tax Redemption Date*") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes or any Guarantee, the Company under or with respect to the Notes or any of the Guarantors with respect to any Guarantee is or would be required to pay Additional Amounts (but, in the case of the relevant Guarantor, only if such amount cannot be paid by the Company or another Guarantor who can pay such amount without the obligation to pay Additional Amounts), and the Company or relevant Guarantor, as applicable, cannot avoid any such payment obligation by taking reasonable measures available (including making payment through a paying agent located in another jurisdiction) and the requirement arises as a result of:

- (1) any amendment to, or change in, the laws or any regulations or rulings promulgated thereunder of a relevant Tax Jurisdiction which change or amendment has not been publicly announced as formally proposed before and which becomes effective on or after the date of the Offering Memorandum (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of the Offering Memorandum, such later date); or
- (2) any amendment to, or change in, an official written interpretation or application of such laws, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published practice) which amendment or change has not been publicly announced as formally proposed before and which becomes effective on or after the date of the Offering Memorandum, (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of this Offering Memorandum, such later date) (each of the foregoing clauses (1) and (2), a "*Change in Tax Law*").

The Company will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Company or the Guarantor, as applicable, would be obligated to make such payment or withholding if a payment in respect of the Notes were then due, and the obligation to pay Additional Amounts must be in effect (or be scheduled to come into effect on or prior to the next date on which any amount would be payable under or in respect of the Notes or any Guarantee) at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company will deliver to the Trustee an opinion of independent tax counsel (the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld)) to the effect that there has been such Change in Tax Law which would entitle the Company to redeem the Notes hereunder. In addition, before the Company publishes or mails any notice of redemption of the Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that it (or the relevant Guarantor) cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it (including in the case of a Guarantor, that such amount cannot be paid by the Company or another Guarantor who can pay such amount without the obligation to pay Additional Amounts).

The Trustee will accept and shall be entitled to rely (without any liability on the part of the Trustee arising from such reliance) on such Officer's Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

The foregoing provisions shall apply *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a Change in Tax Law occurring after the time such successor Person becomes a party to the Indenture.

### **Mandatory Redemption**

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

### **Repurchase at the Option of Holders**

#### ***Change of Control***

If a Change of Control occurs, each holder of Notes will have the right to require the Company to repurchase all or any part (in integral multiples of £1,000 for the Fixed Rate Notes and in integral multiples of €1,000 for the Floating Rate Notes; *provided* that Fixed Rate Notes of £100,000 or less and Floating Rate Notes of €100,000 or less may only be redeemed in whole and not in part) of that holder's Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, the Company will offer a payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased to the date of purchase (the "*Change of Control Payment*"), subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date.

Unless the Company has unconditionally exercised its right to redeem all the Notes of a series as described under "— Optional Redemption" or all conditions to such redemption have been satisfied or waived, within 30 days following any Change of Control, the Company will mail a notice to each holder of the Notes at such holder's registered address or otherwise deliver a notice in accordance with the procedures described under "— Selection and Notice," stating that a Change of Control Offer is being made and offering to repurchase Notes on the date (the "*Change of Control Payment Date*") specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Indenture and described in such notice. The Change of Control Offer shall be open for a period of no less than 20 days, and the Company will comply with the requirements of any applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Company will comply with any applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Company will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- (3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The Paying Agent will promptly mail (or cause to be delivered) to each holder of the Notes properly tendered the Change of Control Payment for such Notes, and the Trustee (or its authenticating agent) will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable.



Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) a notice of redemption has been given pursuant to the Indenture as described above under the caption “— Optional Redemption,” unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Revolving Credit Facility Agreement will provide that the occurrence of a change of control would in each case require the repayment of all the outstanding Indebtedness thereunder. If the Company experiences a change of control that triggers a mandatory prepayment under its Revolving Credit Facility Agreement, the Company may seek the agreement of the relevant lenders thereunder to maintain the availability of the Revolving Credit Facility Agreement or seek to refinance the Revolving Credit Facility Agreement. Future debt of the Company or its Subsidiaries may prohibit the Company from purchasing the Notes in the event of a Change of Control or provide that a Change of Control is a default or require a repurchase upon a Change of Control. Moreover, the exercise by the holders of the Notes of their right to require the Company to purchase the Notes could cause a default under, or require a repurchase of, other debt, even if a Change of Control does not, due to the financial effect of the purchase on the Company.

Finally, the Company's ability to repurchase Notes pursuant to a Change of Control Offer following the occurrence of a Change of Control may be limited by the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See “Risk Factors — Risks Relating to the Notes and the Guarantees — We may not have the ability to raise the funds necessary to finance a change of control offer.”

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of “all or substantially all” of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of the Notes to require the Company to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

The provisions under the Indenture relating to the Company's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the consent of the holders of a majority in principal amount of the Notes prior to the occurrence of the Change of Control.

If and for so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, the Company will publish a public announcement with respect to the results of any Change of Control Offer 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 notice on the official website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)).

### **Asset Sales**

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

- (1) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and



- (2) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:
- (a) any liabilities, as recorded on the balance sheet of the Company or any Restricted Subsidiary (other than contingent liabilities and other than liabilities that are by their terms subordinated in right of payment to the Notes or any Guarantee or are not otherwise permitted to be repurchased with the Net Proceeds from an Asset Sale pursuant to the second paragraph under this covenant), that are assumed by the transferee of any such assets and as a result of which the Company and its Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities;
  - (b) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 90 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;
  - (c) any Capital Stock or assets of the kind referred to in clauses (1)(d) or (f) of the next paragraph of this covenant;
  - (d) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Sales having an aggregate Fair Market Value, taken together with all other Designated Non-Cash Consideration received pursuant to this clause (d) that is at that time outstanding, not to exceed the greater of £30.0 million and 4.0% of Total Assets at the time of the receipt of such Designated Non-Cash Consideration (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value);
  - (e) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Company and each other Restricted Subsidiary are released from any guarantee of such Indebtedness in connection with such Asset Sale; and
  - (f) consideration consisting of Indebtedness of the Company or any Guarantor of a type set forth in clause (1) of the following paragraph, received from Persons who are not the Company or any Restricted Subsidiary.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company (or any of its Restricted Subsidiaries) may:

- (1) apply such Net Proceeds (at the option of the Company or Restricted Subsidiary):
- (a) to purchase the Notes pursuant to an offer made on a *pro rata* basis to all of the holders of Notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (a "*Notes Offer*");
  - (b) (i) to repay Indebtedness of the Company or any Guarantor outstanding under clause (1) of the second paragraph of the covenant under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock" that is secured by a first-priority Lien on the Collateral and that is not subordinated in right of payment to the Notes or any Guarantee and, if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto; or (ii) to make an Asset Sale Offer (as defined below) on a *pro rata* basis to all holders of the Notes and holders of other Indebtedness that is secured by a Lien on the Collateral and that is not subordinated in right of payment to the Notes or the Guarantees;
  - (c) to purchase or permanently prepay or redeem or repay (i) any Indebtedness that is only secured by Liens on assets or property that do not constitute Collateral and, if the Indebtedness prepaid, redeemed or repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto or (ii) any Indebtedness of a Restricted Subsidiary that is not a Guarantor, other than Indebtedness owed to the Company or another Restricted Subsidiary (or any Affiliate thereof);
  - (d) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;

- (e) to make a capital expenditure;
  - (f) to acquire other assets (other than Capital Stock) not classified as current assets under UK GAAP that are used or useful in a Permitted Business; or
  - (g) in connection with an Asset Sale with respect to assets acquired by the Company or any of its Restricted Subsidiaries after the Issue Date (other than the assets acquired as part of the Transactions) which was part of a larger acquisition of assets (the "*Primary Acquisition*") or with respect to assets that in the Company's good faith judgment would create value being disposed alongside the disposal of assets from the Primary Acquisition, to purchase or permanently prepay, redeem, repay, reimburse or otherwise return (including in the form of a dividend or other distribution) (each, a "*Reimbursement*") any portion of the source of funds used to finance the Primary Acquisition; *provided* that, for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such Reimbursement is made (and, for the avoidance of doubt, after giving *pro forma* effect to the Asset Sale (including the incurrence of any Indebtedness to finance the Primary Acquisition and not repaid by the Reimbursement), the Reimbursement and the Primary Acquisition), at the time of such Reimbursement (i) the Company's Fixed Charge Coverage Ratio would have been at least 2.0 to 1.0, or (ii) the Company's Fixed Charge Coverage Ratio would not be less than it was immediately prior to such Reimbursement; or
- (2) enter into a binding commitment to apply the Net Proceeds pursuant to clause (d), (e) or (f) of paragraph (1) above; *provided* that such binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (a) the date on which such acquisition or expenditure is consummated, and (b) the 180<sup>th</sup> day following the expiration of the aforementioned 365 day period.

Pending the final application of any Net Proceeds, the Company (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "*Excess Proceeds*." When the aggregate amount of Excess Proceeds exceeds £15.0 million, within ten Business Days thereof, the Company will make an offer (an "*Asset Sale Offer*") to all holders of Notes and, to the extent notified by the Company in such notice, make an offer to all holders of other Indebtedness that is *pari passu* with the Notes or any Guarantee to purchase, prepay or redeem with the proceeds of sales of assets, the maximum principal amount of Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal to 100% of the principal amount and the offer price for any *pari passu* Indebtedness may be no greater than 100% of the principal amount, in each case, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds or if the aggregate amount of Notes tendered pursuant to a Notes Offer exceeds the amount of the Net Proceeds so applied, the Trustee will select the Notes and such other *pari passu* Indebtedness, if applicable, to be purchased on a pro rata basis (or in the manner described under "— Selection and Notice"), based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

To the extent that any portion of Net Proceeds payable in respect of the Notes is denominated in a currency other than sterling or euro, as the case may be, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in sterling or euro, as the case may be, that is actually received by the Company upon converting such portion of the Net Proceeds into sterling or euro, as the case may be.

An Asset Sale Offer or a Notes Offer shall be open for a period of no less than 20 days, and the Company will comply with the requirements of any applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of an Asset Sale Offer or a Notes Offer. To the extent that the provisions of any securities laws or regulations conflict with the

Change of Control, Asset Sale or Notes Offer provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

### **Selection and Notice**

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption on a pro rata basis (or, in the case of Notes issued in global form as discussed under “Book-Entry, Delivery and Form,” based on a method that most nearly approximates a pro rata selection as the Trustee deems fair and appropriate), unless otherwise required by law or applicable stock exchange or depository requirements. The Trustee shall not be liable for selections made by it in accordance with this paragraph.

No Fixed Rate Notes of £100,000 or less can be redeemed in part and no Floating Rate Notes of €100,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of the Notes upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be published 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, posted on the official website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) and, in connection with any redemption, the Company will notify the Irish Stock Exchange of any change in the principal amount of Notes outstanding.

### **Certain Covenants**

#### ***Incurrence of Indebtedness and Issuance of Preferred Stock***

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, “*incur*”) any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided, however*:

- (1) that the Company may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and any Restricted Subsidiary may incur Indebtedness (including Acquired Debt) or issue preferred stock, if on the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, if the Company’s Fixed Charge Coverage Ratio for the Company’s most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.0 to 1.0, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or preferred stock had been issued, as the case may be, at the beginning of such four quarter period; and
- (2) if such Indebtedness to be incurred is Senior Secured Indebtedness, the Company and any Restricted Subsidiary may incur such Senior Secured Indebtedness if the Company’s Consolidated Secured Leverage Ratio for the Company’s most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional

Senior Secured Indebtedness is incurred would have been less than 4.75 to 1.0, on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom).

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

- (1) the incurrence by the Company and any Guarantor of Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) not to exceed the greater of (a) £50.0 million and (b) 50% of Consolidated EBITDA for the Company's most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date on which such Indebtedness is incurred or, if such Credit Facilities relate to revolving credit Indebtedness, the date on which such revolving credit Indebtedness is committed, *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;
- (2) Indebtedness of the (x) Company or any Restricted Subsidiary outstanding on the Vue Acquisition Completion Date or (y) Multikino and its Subsidiaries outstanding on the Multikino Acquisition Completion Date (other than the Indebtedness described in clauses (1) or (3) of this paragraph) after giving *pro forma* effect to the use of proceeds of the Notes incurred on the Issue Date;
- (3) the incurrence by the Company and the Guarantors of Indebtedness represented by the Notes issued on the Issue Date and the related Guarantees;
- (4) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property (real or personal), plant or equipment (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets) used in the business of the Company or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of £25.0 million and 3.5% of Total Assets at any time outstanding;
- (5) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under (a) the first paragraph of this covenant or (b) clauses (2), (3), (5) or (16) of this paragraph;
- (6) the incurrence by the Company or any Restricted Subsidiary of intercompany Indebtedness between or among the Company or any Restricted Subsidiary; *provided* that:
  - (a) if the Company or any Guarantor is the obligor on such Indebtedness and the payee is not the Company or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Notes, in the case of the Company, or the Guarantee, in the case of a Guarantor; and
  - (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);
- (7) the issuance by any Restricted Subsidiary to the Company or to any of its Restricted Subsidiaries of preferred stock; *provided* that:
  - (a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Company or a Restricted Subsidiary; and
  - (b) any sale or other transfer of any such preferred stock to a Person that is not either the Company or a Restricted Subsidiary,

will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);

- (8) the incurrence by the Company or any Restricted Subsidiary of Hedging Obligations for *bona fide* hedging purposes of the Company and its Restricted Subsidiaries and not for speculative purposes;
- (9) the guarantee by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to the Notes or subordinated to or *pari passu* with a Guarantee, then the guarantee must be subordinated, in the case of the Notes or subordinated or *pari passu*, as applicable, in the case of a Guarantee, in each case to the same extent as the Indebtedness guaranteed;
- (10) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days of such incurrence;
- (11) the incurrence by the Company and its Restricted Subsidiaries of Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Equity Interests of a Subsidiary; *provided* that the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition (in the case of a disposition by the Company and its Restricted Subsidiaries);
- (12) the incurrence by the Company and its Restricted Subsidiaries of Indebtedness in respect of (a) letters of credit, bankers' acceptances, surety, performance, completion or appeal bonds, instruments, guarantees or other obligations, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person (in each case, (i) other than an obligation for borrowed money and (ii) to the extent such obligations are reimbursed within 30 days of incurrence), including letters of credit or similar instruments in respect of such obligations or in respect of self-insurance, workers compensation claims or obligations, captive insurance companies and rent payment obligations; and (b) any customary cash management, cash pooling or netting or setting off arrangements;
- (13) Indebtedness of the Company or any of its Restricted Subsidiaries in respect of Management Advances;
- (14) customer deposits and advance payments received in the ordinary course of business from customers for goods and services purchased in the ordinary course of business;
- (15) Indebtedness of the Company and any Guarantor in an aggregate outstanding principal amount that, when taken together with any Permitted Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness incurred pursuant to this clause (15) and then outstanding, will not exceed 100% of the Net Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Capital Stock (other than, in connection with the Equity Contribution or Disqualified Stock or an Excluded Contribution) or otherwise contributed to the equity (other than through the Equity Contribution, the issuance of Disqualified Stock or an Excluded Contribution) of the Company or from the issuance or sale (other than to a Restricted Subsidiary) of Subordinated Shareholder Debt, in each case, subsequent to the Vue Acquisition Completion Date; *provided, however*, that (a) any such Net Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (2), (4) and (8) of the third paragraph of the covenant described under the caption "— Restricted Payments" to the extent the Company or any Guarantor incur Indebtedness in reliance thereon and (b) any Net Proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (15) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (2), (4) and (8) of the third paragraph of the covenant described under the caption "— Restricted Payments" in reliance thereon;



- (16) Indebtedness of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary of the Company or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any of its Restricted Subsidiaries or Indebtedness incurred in connection with the acquisition of a Person that becomes a Restricted Subsidiary; *provided, however*, with respect to this clause (16), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred (a) the Company would have been able to incur £1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of this covenant, after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (16) or (b) the Fixed Charge Coverage Ratio of the Company would not be less than it was immediately prior to giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (16);
- (17) the incurrence by the Company or any Restricted Subsidiary of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (17), not to exceed the greater of £30.0 million and 4.0% of Total Assets; and
- (18) Indebtedness incurred in any Permitted Digital Asset Financing.

Notwithstanding anything to the contrary contained herein, the aggregate principal amount of Indebtedness that is permitted to be Incurred by the Issuer's Restricted Subsidiaries that are not Guarantors pursuant to the first paragraph of this covenant and clause (17) of the second paragraph of this covenant, including all Indebtedness incurred by a Restricted Subsidiary that is not a Guarantor to redeem, refund, repay, replace, defease or discharge such Indebtedness, shall not exceed at any time outstanding an amount equal to the greater of £30.0 million and 4.0% of Total Assets of the Company on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom).

For purposes of determining compliance with this "Incurrence of Indebtedness and Issuance of Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (18) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company, in its sole discretion, will be permitted to classify such item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses and will be permitted on the date of such incurrence to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, and from time to time to reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant; *provided* that Indebtedness incurred pursuant to clause (1) of the second paragraph of this covenant may not be reclassified. Indebtedness under the Revolving Credit Facility outstanding on the Issue Date will be deemed to have been incurred on such date in reliance on the exception provided in clause (1) of the second paragraph of this covenant. The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant.

For purposes of determining compliance with any sterling-denominated restriction on the incurrence of Indebtedness, the Sterling-Equivalent principal amount of Indebtedness denominated in a different currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness incurred under a revolving credit facility; *provided, however*, that (i) if such Indebtedness denominated in non-sterling currency is subject to a Currency Exchange Protection Agreement, the amount of such Indebtedness expressed in sterling will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the Sterling-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. The principal amount of any refinancing Indebtedness incurred in the same



currency as the Indebtedness being refinanced will be the Sterling-Equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, except that to the extent that:

- (1) such Sterling-Equivalent was determined based on a Currency Exchange Protection Agreement, in which case the refinancing Indebtedness will be determined in accordance with the preceding sentence; and
- (2) the principal amount of the refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the Sterling-Equivalent of such excess will be determined on the date such refinancing Indebtedness is being incurred.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

- (1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with UK GAAP;
- (2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and
- (3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:
  - (i) the Fair Market Value of such assets at the date of determination; and
  - (ii) the amount of the Indebtedness of the other Person.

### ***Anti-Layering***

Neither the Company nor any Guarantor will incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Company or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Company or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

### ***Restricted Payments***

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

- (1) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as holders, other than (a) dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company and (b) dividends or distributions payable to the Company or a Restricted Subsidiary;
- (2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any direct or indirect Parent Entity of the Company;
- (3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Company or any Guarantor that is contractually subordinated in right of payment to the Notes or to any Guarantee (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries), except (a) a payment of interest or principal at the Stated Maturity thereof or (b) the purchase, repurchase or other acquisition of Indebtedness purchased in anticipation of satisfying a scheduled sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition;

- (4) make any cash payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Debt; or
- (5) make any Restricted Investment,

(all such payments and other actions set forth in these clauses (1) through (5) above being collectively referred to as “*Restricted Payments*”), unless, at the time of any such Restricted Payment:

- (a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
- (b) the Company would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least £1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in clause (1) of the first paragraph of the covenant described under the caption “— Incurrence of Indebtedness and Issuance of Preferred Stock”; and
- (c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries since the Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7), (9), (10), (11), (12), (13), (14), (15), (18), (19) and (20) of the third paragraph of this covenant) is less than the sum, without duplication, of:
  - (i) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the fiscal quarter commencing immediately prior to the Issue Date to the end of the Company’s most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*
  - (ii) 100% of the aggregate net cash proceeds and the Fair Market Value of property or assets or marketable securities received by the Company since the Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Company (other than the Equity Contribution or Disqualified Stock and Excluded Contributions) or from the issue or sale of convertible or exchangeable Disqualified Stock of the Company or convertible or exchangeable debt securities of the Company, in each case that have been converted into or exchanged for Equity Interests of the Company (other than Equity Interests and convertible or exchangeable Disqualified Stock or debt securities sold to a Subsidiary of the Company) or from the issuance or sale of Subordinated Shareholder Debt (other than an issuance or sale to a Subsidiary of the Company); *plus*
  - (iii) to the extent that any Restricted Investment that was made after the Issue Date is (a) sold, disposed of or otherwise cancelled, liquidated or repaid, 100% of the aggregate amount received in cash and the Fair Market Value of the property or assets or marketable securities received by the Company or any Restricted Subsidiary (other than from a Person that is the Company or a Restricted Subsidiary), or (b) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Company and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*
  - (iv) to the extent that any Unrestricted Subsidiary of the Company designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged or consolidated into the Company or a Restricted Subsidiary, or all of the assets of such Unrestricted Subsidiary are transferred to the Company or a Restricted Subsidiary, the Fair Market Value of the property received by the Company or Restricted Subsidiary or the Company’s Restricted Investment in such Subsidiary as of the date of such redesignation, merger, consolidation or transfer of assets, to the extent such investments reduced the Restricted Payments capacity under this clause (iv) and were not previously repaid or otherwise reduced; *plus*
  - (v) upon the full and unconditional release of a Restricted Investment that is a guarantee made by the Company or one of its Restricted Subsidiaries to any Person, an amount equal to the amount of such guarantee; *plus*;
  - (vi) 100% of any cash dividends or distributions received by the Company or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such

dividends or distributions were not otherwise included in the Consolidated Net Income of the Company for such period,

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 in good faith by an officer or the Board of Directors of the Company.

The preceding provisions will not prohibit:

- (1) the payment of any dividend or distribution or the consummation of any redemption within 60 days after the date of declaration of the dividend or distribution or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend, distribution or redemption payment would have complied with the provisions of the Indenture;
- (2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock or the Equity Contribution), Subordinated Shareholder Debt or from the substantially concurrent contribution of common equity capital to the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from the calculation of amounts under clause (c)(ii) of the preceding paragraph, shall not constitute Excluded Contributions, and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "Optional Redemption" provisions of the Indenture;
- (3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any Guarantor that is contractually subordinated to the Note or to any Guarantee in respect thereof with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;
- (4) any Restricted Payment consisting of (or the making of any Restricted Payment to fund) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of any Parent Entity, the Company or any Restricted Subsidiary held by any current or former officer, director, employee or consultant of any Parent Entity, the Company or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or other agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed £6.0 million in any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years); and *provided, further*, that such amount in any calendar year may be increased by an amount not to exceed (a) the cash proceeds from the sale of Equity Interests or Subordinated Shareholder Debt of any Parent Entity, the Company or a Restricted Subsidiary received by the Company or a Restricted Subsidiary during such calendar year, in each case, to officers, directors, employees or consultants of any Parent Entity, the Company, any of its Restricted Subsidiaries or any of its direct or indirect parent companies and (b) the cash proceeds of key man life insurance policies, in each case, to the extent the cash proceeds have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clause (2) of this paragraph and are not Excluded Contributions or constitute the Equity Contribution;
- (5) the repurchase of Equity Interests deemed to occur upon the exercise of stock options or warrants to the extent such Equity Interests represent a portion of the exercise price of those stock options or warrants;
- (6) the declaration and payment of regularly scheduled or accrued dividends or distributions to holders of any class or series of Disqualified Stock of the Company or any preferred stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant described under the caption "— Incurrence of Indebtedness and Issuance of Preferred Stock";
- (7) payments of cash, dividends, distributions, advances or other Restricted Payments by the Company or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (a) the exercise of options or warrants or (b) the conversion or exchange of Capital Stock of any such Person;
- (8) so long as no Default has occurred and is continuing or would be caused thereby, following an Initial Public Offering of the Capital Stock of the Company or a Parent Entity, the declaration and payment of loans, advances, dividends or distributions on the Capital Stock of the Company in an amount

per annum not to exceed the greater of (a) 6% of the net cash proceeds received from such Initial Public Offering by the Company or contributed in cash to the Company's equity (other than through the issuance of Disqualified Stock or Excluded Contributions) and (b) following the Initial Public Offering, an amount equal to (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization, *provided* that, in the case of this clause (8)(b)(i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio of the Company would not exceed 3.25 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (8)(b)(ii), after giving *pro forma* effect to such loans, advances, dividends or distributions, after giving *pro forma* effect to the payment of any such dividend or making of any such distribution, the Consolidated Leverage Ratio of the Company would not exceed 4.0 to 1.0; *provided further*, if such Initial Public Offering was of Capital Stock of a Parent Entity, the net proceeds of any such loans, advances, dividend or distributions are used to fund a corresponding dividend in equal or greater amount on the Capital Stock of such Parent Entity;

- (9) the payment of any dividend or distribution by a Restricted Subsidiary to the holders of its Equity Interests on no more than a *pro rata* basis;
- (10) so long as no Default or Event of Default has occurred and is continuing, the payment of Management Fees;
- (11) Permitted Parent Payments;
- (12) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregated cash amount of Excluded Contributions or Investments in exchange for or using as consideration Investments previously made under this clause (12);
- (13) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any Guarantor that is subordinated in right of payment to the Notes or to any Guarantee (other than any Indebtedness so subordinated and held by Affiliates of the Company) upon a Change of Control or Asset Sale to the extent required by the agreements governing such Indebtedness at a purchase price not greater than 101% of the principal amount of such Indebtedness, in the case of a Change of Control, and 100%, in the case of an Asset Sale, but only if the Company has complied with its obligations under the covenants described under "— Repurchase at the Option of Holders — Change of Control" and "— Asset Sales" and the Company repurchased all Notes tendered pursuant to the offer required by such covenants prior to offering to purchase, purchasing or repaying such Indebtedness;
- (14) the distribution, as a dividend or otherwise, of shares of Capital Stock of, or Indebtedness owed to the Company or a Restricted Subsidiary of the Company by, Unrestricted Subsidiaries; *provided* that such entities are then designated as Unrestricted Subsidiaries;
- (15) the Transactions as defined in the Offering Memorandum under the caption "The Transactions," including but not limited to any Restricted Payment pursuant to or in connection with, the Transactions (including, without limitation, (a) any recharge of transaction costs incurred by OMERS Private Equity Inc. and Alberta Investment Management Corporation to the Company in connection with the Transactions and (b) a one-time transaction fee payable to some of the Equity Investors for advisory services rendered in connection with the Transactions in an amount not to exceed 1.0% of the aggregate net proceeds contributed as Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Debt of the Company in connection with such Transaction for which the fees relate);
- (16) so long as no Default or Event of Default has occurred and is continuing other Restricted Payments in an aggregate amount not to exceed £25.0 million since the Issue Date;
- (17) so long as no Default or Event of Default has occurred and is continuing, any Restricted Payments; *provided* that the Consolidated Leverage Ratio does not exceed 3.0 to 1.0 on a *pro forma* basis after giving effect to any such Restricted Payments and any related transaction;
- (18) the repayment of the principal and any accrued and unpaid interest outstanding under the German Trapped Cash Equity Bridge Loan at any time on or after the Squeeze Out in an amount not to exceed £38.0 million;

- (19) Restricted Payments in an amount necessary to fund termination payments by the Company or any Parent Entity to former executives of the Company or any of its Restricted Subsidiaries; or
- (20) Restricted Payments in an amount equal to any Overfunding Amount actually funded to the Escrow Accounts by an Overfund Guarantor; *provided* that, for the avoidance of doubt, the Overfunding Amount will not be treated as an Excluded Contribution, be used as the Equity Contribution nor be counted for the purposes of calculating the amount of the Restricted Payments that the Company can distribute pursuant to clause (c) or any of its subclauses in the foregoing first paragraph or clause (2) of the third paragraph of this covenant.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

### ***Liens***

The Company will not and will not cause or permit any of the Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness upon any of their property or assets, now owned or hereafter acquired, except (1) in the case of any property or asset that does not constitute Collateral (a) Permitted Liens, or (b) if such Lien is not a Permitted Lien, to the extent that all payments due under the Indenture, the Notes and the Guarantees are secured on an equal and ratable basis (or in the case of Indebtedness which is subordinated in right of payment to the Notes or any Guarantees, prior or senior thereto, with the same relative priority as the Notes or such Guarantee, as applicable, shall have with respect to such subordinated Indebtedness) with the obligations so secured until such time as such obligations are no longer secured by a Lien and (2) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

### ***Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock to the Company or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any Restricted Subsidiary;
- (2) make loans or advances to the Company or any Restricted Subsidiary; or
- (3) sell, lease or transfer any of its properties or assets to the Company or any Restricted Subsidiary, *provided* that (a) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (b) the subordination of (including the application of any standstill period to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness incurred by the Company or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

- (1) agreements of (a) the Company and its Restricted Subsidiaries as in effect on the Vue Acquisition Completion Date or (b) Multikino and its Subsidiaries as in effect on the Multikino Acquisition Completion Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Vue Acquisition Completion Date or Multikino Acquisition Completion Date, as the case may be;
- (2) the Indenture, the Notes, the Guarantees, the Revolving Credit Facility Agreement, the Intercreditor Agreement, the Warner Village Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;
- (3) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be incurred subsequent to the Issue Date pursuant to the provisions of



the covenant described under “— Incurrence of Indebtedness and Issuance of Preferred Stock” if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the holders of the Notes than (a) the encumbrances and restrictions contained in the Revolving Credit Facility Agreement, the Intercreditor Agreement, the Indenture and the Warner Village Intercreditor Agreement, in each case, as in effect on the Issue Date (as determined in good faith by the Company) or (b) is customary in comparable financings (as determined in good faith by the Company);

- (4) applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit;
- (5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided that*, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;
- (6) customary non-assignment and similar provisions in contracts, leases and licenses entered into in the ordinary course of business;
- (7) purchase money obligations and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;
- (8) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;
- (9) Permitted Refinancing Indebtedness; *provided that* the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in comparable financings at the time of determination (as determined in good faith by the Company) and would not otherwise restrict the payment of amounts due in respect of the Notes, a Guarantee, or compliance by the Company or any Guarantor with its obligations under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents or any Credit Facility;
- (10) Liens permitted to be incurred under the provisions of the covenant described under the caption “— Liens” that limit the right of the debtor to dispose of the assets subject to such Liens;
- (11) customary provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements in the ordinary course of business (including agreements entered into in connection with a Restricted Investment), which limitation is applicable only to the assets that are the subject of such agreements;
- (12) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business;
- (13) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (12), or in this clause (13); *provided that* the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced; and
- (14) any mortgage financing or mortgage refinancing that imposes restrictions only on the real property securing such Indebtedness.

### ***Merger, Consolidation or Sale of Assets***

The Company will not directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Company is the surviving corporation), or (2) sell, assign, transfer, lease, convey or



otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole, in either case, in one or more related transactions, to another Person, unless:

- (1) either: (a) the Company is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organized or existing under the laws of any member state of the European Union, Switzerland, Canada, any state of the United States or the District of Columbia;
- (2) the Person formed by or surviving any such consolidation or merger with the Company (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Company under the Indenture, the Notes, the Intercreditor Agreement, the Warner Village Intercreditor Agreement and any Additional Intercreditor Agreement, if any, pursuant to the terms thereof;
- (3) immediately after such transaction, no Default or Event of Default exists; and
- (4) the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period (a) be permitted to incur at least £1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described under the caption “— Incurrence of Indebtedness and Issuance of Preferred Stock” or (b) have a Fixed Charge Coverage Ratio no less than it was immediately prior to giving effect to such transaction.

A Guarantor (other than any Guarantor whose Guarantee is to be released in accordance with the terms of the Indenture) will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not such Guarantor is the surviving corporation), or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of such Guarantor and its Subsidiaries which are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

- (1) immediately after giving effect to that transaction, no Default or Event of Default exists;
- (2) either:
  - (a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of that Guarantor under its Guarantee, the Indenture, the Security Documents, the Intercreditor Agreement, the Warner Village Intercreditor Agreement and any Additional Intercreditor Agreement, if any, on terms satisfactory to the Trustee; or
  - (b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Indenture.

In addition, the Company will not, directly or indirectly, lease all or substantially all of the properties and assets of it and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

Clauses (3) and (4) of the first paragraph of this “Merger, Consolidation or Sale of Assets” covenant will not apply to any sale or other disposition of all or substantially all of the assets or merger or consolidation of the Company with or into any Guarantor and clause (4) of the first paragraph of this “Merger, Consolidation or Sale of Assets” covenant will not apply to any sale or other disposition of all or substantially all of the assets or merger or consolidation of the Company with or into an Affiliate solely for the purpose of reincorporating the Company in another jurisdiction for tax reasons.

### **Transactions with Affiliates**

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement,

understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each, an *"Affiliate Transaction"*) involving aggregate payments or consideration in excess of £5.0 million, unless:

- (1) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with a Person who is not an Affiliate; and
- (2) the Company delivers to the Trustee:
  - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of £15.0 million, a resolution of the Board of Directors of the Company set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the Disinterested Directors; and, in addition;
  - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of £50.0 million, an opinion of an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert of international standing with experience in appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is (i) fair from a financial point of view taking into account all relevant circumstances 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.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

- (1) any employment agreement, collective bargaining agreement, consultant, employee benefit arrangements with any employee, consultant, officer or director of the Company or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business;
- (2) transactions between or among the Company and any Restricted Subsidiary, or between or among Restricted Subsidiaries;
- (3) transactions in the ordinary course of business with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Company solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;
- (4) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of the Company or any of its Restricted Subsidiaries;
- (5) any issuance of Equity Interests (other than Disqualified Stock) of the Company to Affiliates of the Company;
- (6) any Restricted Payment that does not violate the provisions of the Indenture described above under the caption *"— Restricted Payments"*;
- (7) Management Advances and Permitted Parent Payments;
- (8) any Permitted Investments (other than Permitted Investments described in clauses (3), (9) and (15) of the definition thereof);
- (9) the incurrence of any Subordinated Shareholder Debt;
- (10) transactions pursuant to, or contemplated by any agreement of (a) the Company and its Restricted Subsidiaries as in effect on the Vue Acquisition Completion Date or (b) Multikino and its Subsidiaries as in effect on the Multikino Acquisition Completion Date and transactions pursuant to any amendment, modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not more disadvantageous to the holders of the Notes in any material respect than the original agreement as in effect on the Vue Acquisition Completion Date or Multikino Acquisition Completion Date, as the case may be;

- (11) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services or providers of employees or other labor, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Company or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Company or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person;
- (12) any payments or other transactions pursuant to a tax sharing agreement between the Company and any other Person or a Restricted Subsidiary of the Company and any other Person with which the Company or any of its Restricted Subsidiaries files a consolidated tax return or with which the Company or any of its Restricted Subsidiaries is part of a group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation; *provided, however*, that any such tax sharing or arrangement and payment does not permit or require payments in excess of the amounts of tax that would be payable by the Company and its Restricted Subsidiaries on a stand-alone basis;
- (13) any contribution to the capital of the Company in exchange for Capital Stock of the Company (other than Disqualified Stock and preferred stock);
- (14) transactions in the ordinary course of business with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Company solely because a director of which is also a director of the Company or any direct or indirect parent of the Company; *provided, however*, that such director abstains from voting as a director of the Company or such direct or indirect parent, as the case may be, on any matter involving such other Person;
- (15) Liens on Equity Interests of Unrestricted Subsidiaries; and
- (16) any Affiliate Transaction, to the extent described in the Offering Memorandum, entered into in connection with the Transactions as defined under the caption "The Transactions" in the Offering Memorandum (including, without limitation, (i) any recharge of transaction costs incurred by OMERS Private Equity Inc. and Alberta Investment Management Corporation to the Company in connection with the Transactions and (ii) a one-time transaction fee payable to some of the Equity Investors for advisory services rendered in connection with the Transactions in an amount not to exceed 1.0% of the aggregate net proceeds contributed as Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Debt of the Company in connection with such Transaction for which the fees relate).

### ***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors of the Company may designate any Restricted Subsidiary (including any newly acquired or newly formed Restricted Subsidiary) to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described under the caption "— Restricted Payments" or under one or more clauses of the definition of Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Company may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described under the caption "— Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "— Incurrence of Indebtedness and Issuance of Preferred Stock," the Company will be in default of such covenant. The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of

Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption “— Incurrence of Indebtedness and Issuance of Preferred Stock,” calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

### **Maintenance of Listing**

The Company will use its reasonable efforts to obtain and maintain the listing of the Notes on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market thereof for so long as such Notes are outstanding; *provided* that if the Company is unable to obtain admission to listing of the Notes on the Irish Stock Exchange or if at any time the Company determines that it will not so list or maintain such listing, it will use its reasonable efforts to obtain and maintain a listing of such Notes on another “recognised stock exchange” as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

### **Limitation on Issuances of Guarantees of Indebtedness**

The Company will not permit any of its Restricted Subsidiaries that is not a Guarantor, directly or indirectly, to guarantee the payment of any other Indebtedness of the Company or any Guarantor unless such Restricted Subsidiary simultaneously executes and delivers to the Trustee a supplemental Indenture to the Indenture providing for the guarantee of the payment of the Notes by such Restricted Subsidiary, which Guarantee will be *pari passu* with or senior to such Restricted Subsidiary’s guarantee of such other Indebtedness.

Each additional Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

The first paragraph of this covenant will not be applicable to (1) any Guarantee of Indebtedness (other than the Revolving Credit Facility) (a) of Vue and its Subsidiaries existing on the Issue Date or (b) of Multikino and its Subsidiaries existing on the Issue Date; or (2) given to a bank or trust company having combined capital and surplus and undivided profits of not less than £250 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 benefit of the Company or any of its Restricted Subsidiaries.

Notwithstanding the foregoing, the Company shall not be obligated to cause such Restricted Subsidiary to guarantee the payment of the Notes to the extent that such Guarantee by such Restricted Subsidiary would reasonably be expected to give rise to or result in:

- (1) a violation of applicable law, which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Company or the Restricted Subsidiary; or
- (2) any liability for the officers, directors or shareholders of such Restricted Subsidiary,

*provided* that the Company will procure that the relevant Restricted Subsidiary becomes a Guarantor at such time as such restrictions or liabilities above would no longer apply to the provision of the Guarantee or no longer would prohibit such Restricted Subsidiary from becoming a Guarantor (or prevent the Company from causing such Restricted Subsidiary to become a Guarantor).

### **Payments for Consent**

The Company 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 the Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the 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 Company and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes, to exclude holders of Notes in any jurisdiction where (1) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (2) the payment of the consideration therefor would require the Company 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 Company in its sole discretion determines (acting in good faith) (a) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction); or (b) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

### ***No Impairment of Security Interest***

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, take or knowingly or negligently omit to take, any action which action or omission would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Liens on the Collateral permitted by the definition of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral), for the benefit of the Trustee and the holders of Notes and the Company will not, and will not cause or permit any of its Restricted Subsidiaries to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the holders of Notes and the other beneficiaries described in the Security Documents, the Intercreditor Agreement and the Warner Village Intercreditor Agreement, any interest whatsoever in any of the Collateral; *provided* that (a) nothing in this provision shall restrict the discharge or release of the Collateral in accordance with the Indenture, the Security Documents, the Intercreditor Agreement and the Warner Village Intercreditor Agreement and (b) the Company and its Restricted Subsidiaries may incur Permitted Collateral Liens; and *provided further, however*, that no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified, replaced, or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) unless contemporaneously with such amendment, extension, replacement, restatement, supplement, modification, renewal or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the assets), the Company delivers to the Trustee one of the following:

- (1) a solvency opinion from an internationally recognized investment bank or accounting firm, in form and substance reasonably satisfactory to the Trustee confirming the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, restatement, renewal, supplement, modification, replacement or release and retaking;
- (2) a certificate from the board of directors or chief financial officer of the relevant Person (acting in good faith) that confirms the solvency of the Person granting such Lien after giving effect to any transactions related to such amendment, extension, renewal, restatement, replacement, supplement, modification or release and retaking; or
- (3) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking, the Lien or Liens securing the Notes created under the Security Documents so amended, extended, renewed, restated, supplemented, modified, replaced or released and retaken are valid and perfected Liens not otherwise subject to any limitation imperfection or new hardening period, in equity or at law, and that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking.

At the direction of the Company and without the consent of the holders of Notes, the Security Agent may from time to time enter into one or more amendments to the Security Documents to: (i) cure any ambiguity, omission, defect or inconsistency therein, (ii) (but subject to compliance with the first paragraph of this covenant) provide for Permitted Collateral Liens, (iii) add to the Collateral or (iv) make any other change thereto that does not adversely affect the rights of the holders of Notes in any material respect.

In the event that the Company complies with this covenant, the Trustee and/or the Security Agent, as applicable, shall (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification, replacement or release with no need for instructions from the holders of the Notes.



## **Further Assurances**

The Company will, and will procure that each of its Subsidiaries will at its own expense, execute such documents and provide such assurances as the Security Agent may reasonably require (1) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents and (2) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. The Company will, and will procure that each of its Subsidiaries will execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

## **Suspension of Covenants When Notes Rated Investment Grade**

If on any date following the Issue Date:

- (1) the Notes have achieved Investment Grade Status; and
- (2) no Default or Event of Default shall have occurred and be continuing on such date,

then, the Company will notify the Trustee and beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (such period, the "*Suspension Period*"), the covenants specifically listed under the following captions in the Offering Memorandum will no longer be applicable to the Notes and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries:

- (1) "— Repurchase at the Option of Holders — Asset Sales";
- (2) "— Incurrence of Indebtedness and Issuance of Preferred Stock";
- (3) "— Restricted Payments";
- (4) "— Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";
- (5) clause (4) of the first paragraph of the covenant described under "— Merger, Consolidation or Sale of Assets";
- (6) "— Transactions with Affiliates"; and
- (7) "— Designation of Restricted and Unrestricted Subsidiaries."

Such covenants will not, however, be of any effect with regard to the actions of the Company and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period; *provided* that (1) with respect to the Restricted Payments made after any such reinstatement, the amount of Restricted Payments will be calculated as though the covenant described under the caption "— Restricted Payments" had been in effect prior to, but not during, the Suspension Period and (2) all Indebtedness incurred, or Disqualified Stock or preferred stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (3) of the second paragraph of the caption "— Incurrence of Indebtedness and Issuance of Preferred Stock." Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

The Company shall notify the Trustee upon the occurrence of a Suspension Period; *provided* that such notice will not be a precondition of the suspension of covenants described under this caption.

There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

## **Reports**

So long as any Notes are outstanding, the Company will furnish to the Trustee:

- (1) within 120 days after the end of the Company's fiscal year beginning with the fiscal year ending November 28, 2013, annual reports containing the following information with a level of detail that is substantially comparable and similar in scope to the Offering Memorandum: (a) an audited consolidated balance sheet of the Company as of the end of the two most recent fiscal years (and comparative information for the end of the prior fiscal year) and audited consolidated income statements and statements of cash flow of the Company for the two most recent fiscal years (and



comparative information for the prior fiscal year), including notes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Company (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act), together with explanatory notes, for any material acquisitions or dispositions (including, without limitation, any acquisitions or disposition that, individually or in the aggregate when considered with all other acquisition or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the Company's EBITDA on a *pro forma* basis) or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below, in each case unless *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations (including a discussion of the number of screens, total admissions, average ticket price, total spend per person and total revenue per person), financial condition and liquidity and capital resources, and critical accounting policies; (d) a description of the industry, business, management and shareholders of the Company, all material affiliate transactions, Indebtedness and material financing arrangements and a description of all material debt instruments; and (e) risk factors and recent developments as are customary for such reports;

- (2) within 60 days (90 days in the case of the fiscal quarter ending August 29, 2013) following the end of each of the first three fiscal quarters in each fiscal year of the Company beginning with the fiscal quarter ending August 29, 2013, quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods for the Company, together with condensed note disclosure; (b) *pro forma* income statement and balance sheet information (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act), together with explanatory notes, for any material acquisitions or dispositions (including, without limitation, any acquisition or disposition that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates, represent greater than 20% of the Company's EBITDA on a *pro forma* basis) or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates, in each case unless *pro forma* information has been provided in a previous report pursuant to clause (1), (2) or (3) of this covenant; (c) an operating and financial review of the unaudited financial statements (including a discussion of the number of screens, total admissions, average ticket price, total spend per person and total revenue per person), including a discussion of the consolidated financial condition and results of operations of the Company and any material change between the current year to date period and the corresponding period of the prior year; and (d) risk factors and recent developments as are customary for such reports; and
- (3) promptly after the occurrence of (a) a material acquisition, disposition or restructuring (including any acquisition or disposition that would require the delivery of *pro forma* financial information pursuant to clause (1) or (2) above); (b) any senior management change at the Company; (c) any change in the auditors of the Company; (d) the entering into an agreement that will result in a Change of Control; or (e) any material events that the Company announces publicly, in each case, a report containing a description of such events,

*provided, however*, that the reports set forth in clauses (1), (2) and (3) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or (ii) include separate financial statements for any Guarantors or non-guarantor Subsidiaries of the Company.

If the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the notes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

All financial statements shall be prepared in accordance with UK GAAP. Except as provided for above, no report need include separate financial statements for the Company or Subsidiaries of the Company 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.

The Company will, either (1) within ten Business Days after the delivery of each report discussed in clauses (1) and (2) of the first paragraph of this covenant, conduct a conference call to discuss such report and answer questions about such report, which conference call will be open to all Noteholders or (ii) provide holders of the Notes with access to and the opportunity to participate in any public conference call, investor presentation, webcast or other event, the primary purpose of which is to discuss results of operations or any material event referenced in clause (3) of the first paragraph of this covenant with investors in the Capital Stock of the Company. Details of such conference calls will either (a) be delivered with each report or (b) posted on an electronic website that is used by the Company to communicate to the equity holders generally for which the Noteholders have been, prior to the posting of such notice, informed of the website address and relevant password specifications, which notice shall constitute reasonable notice of such public calls for the purpose of this paragraph.

In addition, for so long as any Notes remain outstanding and during any period during which the Company is not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company has agreed that it will furnish to the holders of the Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Contemporaneously with the furnishing of each such report discussed above, the Company will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of the covenant (1) on the Company's website and (2) if and so long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, at the specified office of the Paying Agent in London.

#### **Events of Default and Remedies**

Each of the following is an "*Event of Default*":

- (1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Notes;
- (2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;
- (3) failure by the Company or any Guarantor to comply with the provisions described under the caption "*— Certain Covenants — Merger, Consolidation or Sale of Assets*";
- (4) failure by the Company or any Guarantor for 60 days after written notice to the Company by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the agreements in the Indenture, the Intercreditor Agreement, the Warner Village Intercreditor Agreement or any of the Security Documents (other than a default in performance, or breach, or a covenant or agreement which is specifically dealt with in clauses (1), (2) or (3));
- (5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company, any Guarantor or any Significant Subsidiary (or the payment of which is guaranteed by the Company, any Guarantor or any Significant Subsidiaries), whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default:
  - (a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness at the Stated Maturity thereof prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or
  - (b) results in the acceleration of such Indebtedness prior to its express maturity,and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates £20.0 million or more;

- (6) failure by the Company or any Significant Subsidiary, to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of £20.0 million (exclusive of any amounts that a solvent insurance company has agreed in writing to pay under applicable policies), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal, waiver or otherwise, shall not have been in effect;
- (7) (a) any security interest created by the Security Documents with respect to Collateral having a Fair Market Value in excess of £10.0 million ceases to be in full force and effect (except as permitted by the terms of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement or the Security Documents), or an assertion by the Company or any of its Restricted Subsidiaries that any Collateral having a Fair Market Value in excess of £10.0 million is not subject to a valid, perfected security interest (except as permitted by the terms of the Indenture, the Security Documents, the Intercreditor Agreement, the Warner Village Intercreditor Agreement or any Additional Intercreditor Agreement); or (b) the repudiation by the Company of any of its material obligations under the Security Documents;
- (8) except as permitted by the Indenture, if any Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Guarantee and such Default continues for 20 days; and
- (9) certain events of bankruptcy or insolvency described in the Indenture with respect to the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary.

### ***Remedies under the Indenture***

In the case of an Event of Default specified in clause (9) above, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may and, if directed by holders of at least 25% in aggregate principal amount of the then outstanding Notes, the Trustee shall, declare all the Notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered to the Trustee, and the Trustee has received, indemnity and/or security satisfactory to it against any loss, liability or expense. Except (subject to the provisions described under “— Amendment, Supplement and Waiver”) to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

- (1) such holder has previously given the Trustee notice that an Event of Default is continuing;
- (2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested the Trustee to pursue the remedy;
- (3) such holders have offered the Trustee, and the Trustee has received, security and/or indemnity satisfactory to it against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and
- (5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of not less than a majority in aggregate principal amount of the Notes outstanding may, on behalf of the holders of all outstanding Notes, waive any past default under the Indenture and its

consequences, except a continuing default in the payment of the principal of premium, if any, any Additional Amounts or interest on any Note held by a non-consenting holder (which may only be waived with the consent of each holder of the Notes affected).

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture.

### **No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company and the Guarantors under the Notes, the Indenture, the Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under applicable securities laws.

### **Legal Defeasance and Covenant Defeasance**

The Company may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Guarantees ("*Legal Defeasance*") except for:

- (1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Notes when such payments are due from the trust referred to below;
- (2) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;
- (3) the rights, powers, trusts, duties and immunities of the Trustee, and the Company's and the Guarantors' obligations in connection therewith; and
- (4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time elect to have the obligations of the Company and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, all Events of Default described under "— Events of Default and Remedies" (except those relating to payments on the Notes or, solely with respect to the Company, bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Company must irrevocably deposit with the Trustee (or such other entity designated by the Trustee for this purpose), in trust, for the benefit of the holders of the Notes, cash in sterling, non-callable U.K. Government Securities or a combination of cash in sterling and non-callable U.K. Government Securities (in the case of the Fixed Rate Notes) and cash in euros, non-callable euro denominated European Government Obligations or a combination of cash in euro and non-callable European Government Obligations (in the case of the Floating Rate Note), in each case, in amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest (including Additional Amounts and premium, if any) on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;
- (2) in the case of Legal Defeasance, the Company must deliver to the Trustee an opinion reasonably acceptable to the Trustee of U.S. independent counsel confirming that (a) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the

outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

- (3) in the case of Covenant Defeasance, the Company must deliver to the Trustee an opinion reasonably acceptable to the Trustee of U.S. independent counsel confirming that the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (4) the Company must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Company with the intent of preferring the holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Company or others; and
- (5) the Company must deliver to the Trustee an Officer's Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

### **Amendment, Supplement and Waiver**

Except as provided otherwise in the succeeding paragraphs, the Indenture, the Notes, the Guarantees, the Security Documents, the Intercreditor Agreement, the Warner Village Intercreditor Agreement and any Additional Intercreditor Agreement may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes, the Guarantees, the Security Documents, the Intercreditor Agreement, the Warner Village Intercreditor Agreement or any Additional Intercreditor Agreement may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Unless (i) consented to by the holders of at least 90% of the aggregate principal amount of the then outstanding Notes or (ii) consented to by each holder of the Notes adversely affected thereby (in each case including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), an amendment, supplement or waiver may not:

- (1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;
- (2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described under the caption "— Repurchase at the Option of Holders");
- (3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;
- (4) impair the right of any holder of the Notes to receive payment of principal of and interest on such holder's Notes on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such holder's Notes or any Guarantee in respect thereof;
- (5) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration);
- (6) make any Note payable in money other than that stated in the Notes;
- (7) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Notes;



- (8) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described under the caption “— Repurchase at the Option of Holders”);
- (9) change the ranking of the Notes or any Guarantees;
- (10) release any Collateral granted for the benefit of the holders of Notes, except in accordance with the terms of the Indenture or the Intercreditor Agreement;
- (11) release any Guarantor from any of its Obligations under its Guarantee or the Indenture, except in accordance with the terms of the Indenture; or
- (12) make any change in the preceding amendment and waiver provisions.

Notwithstanding the foregoing, if any amendment, waiver or other modification affects only the rights of the Fixed Rate Notes or the Floating Rate Notes, as applicable, the Holders of the other series of Notes shall not be required to consent thereto (and in such case, only the consent of a majority or 90%, as the case may be, in aggregate principal amount of the affected series of Notes shall be required to consent thereto). For the avoidance of doubt, it is understood and agreed that any matter described in the preceding paragraphs that by its terms applies only to the Fixed Rate Notes or the Floating Rate Notes shall not be deemed to affect the rights of, or require the consent of, the Holders of the other series of Notes and shall require only the consent of 90% of the Holders of the Fixed Rate Notes or the Floating Rate Notes, as the case may be.

Notwithstanding the preceding, without the consent of any holder of the Notes, the Company, the Trustee, the Security Agent (as applicable and to the extent each is a party to the relevant document) may amend or supplement the Indenture, the Notes, the Guarantee, the Security Documents, the Intercreditor Agreement, the Warner Village Intercreditor Agreement and any Additional Intercreditor Agreement:

- (1) to cure any ambiguity, defect or inconsistency;
- (2) to provide for uncertificated Notes in addition to or in place of certificated Notes (*provided, however*, that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the U.S. Internal Revenue Code);
- (3) to provide for the assumption of the Company's or a Guarantor's obligations to holders of Notes and Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Guarantor's assets, as applicable;
- (4) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder in any material respect;
- (5) to conform the text of the Indenture, the Security Documents, the Notes or the Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents, the Notes or the Guarantees;
- (6) to enter into additional or supplemental Security Documents;
- (7) to release any Guarantee in accordance with the terms of the Indenture;
- (8) to release the Collateral in accordance with the terms of the Indenture;
- (9) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the Issue Date;
- (10) to allow any Guarantor to execute a supplemental indenture and/or a Guarantee with respect to the Notes; or
- (11) to evidence and provide the acceptance of the appointment of a successor Trustee or the Security Agent under the Indenture or the evidence and provide the acceptance of the appointment of a Security Agent under the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document.

The consent of the holders of Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.



In formulating its opinion on such matters, the Trustee shall be entitled to rely absolutely on such evidence as it deems appropriate, including an opinion of counsel and an Officer's Certificate.

### **Additional or Amended Intercreditor Agreement**

At the request of the Company, at the time of, or prior to, the incurrence of any Indebtedness that is permitted to share the Collateral or that is otherwise permitted to be incurred under the Indenture, the Company and the Security Agent will (without the consent of holders of the Notes) enter into an additional intercreditor agreement (each an "*Additional Intercreditor Agreement*") on terms substantially similar to the Intercreditor Agreement (or on terms more favorable to the holders of the Notes) or an amendment to or an amendment and restatement of the Intercreditor Agreement and/or the Warner Village Intercreditor Agreement (which amendment does not adversely affect the rights of the holders of the Notes); *provided* that such Intercreditor Agreement or Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also provides that, at the written direction of the Company and without the consent of the holders of the Notes, the Trustee and the Security Agent shall upon the written direction of the Company from time to time enter into one or more amendments and/or restatements of the Intercreditor Agreement, the Warner Village Intercreditor Agreement or any such Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency therein; (2) increase the amount of Indebtedness permitted to be incurred or issued under the Indenture of the types covered thereby that may be incurred by the Company or any Guarantors that is subject thereto (including the addition of provisions relating to new Indebtedness); (3) add Guarantors thereto; (4) further secure the Notes (including any Additional Notes); or (5) make any other such change thereto that does not adversely affect the rights of holders of the Notes in any material respect.

The Indenture provides that each holder of a Note, by accepting such Note, will be deemed to have agreed to and accepted the terms and conditions of each Intercreditor Agreement, the Warner Village Intercreditor Agreement and Additional Intercreditor Agreement, to have authorized the Trustee and the Security Agent to become a party to any such Intercreditor Agreement, Warner Village Intercreditor Agreement and Additional Intercreditor Agreement, and any amendment referred to in the preceding paragraph and the Trustee or the Security Agent will not be required to seek the consent of any holders of Notes to perform its obligations under and in accordance with this covenant.

### **Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder when:

- (1) either:
  - (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or
  - (b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders (i) in the case of the Fixed Rate Notes, cash in sterling, non-callable U.K. Government Securities or a combination of cash in sterling and non-callable U.K. Government Securities or (ii) in the case of the Floating Rate Notes, cash in euro, non-callable euro denominated European Government Obligations or a combination of cash in euro and non-callable euro denominated European Government Obligations, in each case, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;
- (2) the Company or any Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

- (3) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an Officer's Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

### **Judgment Currency**

Any payment on account of an amount that is payable in sterling or euro, as the case may be, which is made to or for the account of any holder of the Notes or the Trustee in lawful currency of any other jurisdiction (the "*Judgment Currency*"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Company or any Guarantor, shall constitute a discharge of the Company or the Guarantor's obligation under the Indenture, the Notes and the Guarantee, as the case may be, only to the extent of the amount of sterling or euro, as the case may be, that such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of sterling or euro, as the case may be, that could be so purchased is less than the amount of sterling or euro, as the case may be, originally due to such holder of the Notes or the Trustee, as the case may be, the Company and the Guarantors shall indemnify and hold harmless the holder of the Notes or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

### **Concerning the Trustee**

The Company shall deliver written notice to the Trustee within thirty (30) days of becoming aware of the occurrence of a Default or an Event of Default. If the Trustee becomes a creditor of the Company or any Guarantor, the Indenture limits the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting, in its capacity as Trustee, interest it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of the Notes, unless such holder has offered to the Trustee security, and the Trustee has received, and indemnity satisfactory to it against any loss, liability or expense.

The Company and the Guarantors will indemnify the Trustee for certain claims, liabilities and expenses incurred without fraud, negligence or willful misconduct on its part, arising out of or in connection with its duties.

### **Listing**

Application has been made to list the New Floating Rate Notes on the Official List of the Irish Stock Exchange and to admit the New Floating Rate Notes to trading on the Global Exchange Market of the Irish Stock Exchange. There can be no assurance that the application to list the New Floating Rate Notes on the Official List of the Irish Stock Exchange and to admit the New Floating Rate Notes on the Global Exchange Market of the Irish Stock Exchange will be approved and settlement of the New Floating Rate Notes is not conditioned on obtaining this listing.

## **Additional Information**

Anyone who receives this offering memorandum may obtain a copy of the Indenture, the form of Note, the Escrow Agreement (as defined in the Indenture), the Security Documents, the Intercreditor Agreement, the Warner Village Intercreditor Agreement and any Additional Intercreditor Agreement without charge by writing to Vougeot Bidco p.l.c, 6 New Street Square, New Fetter Lane, London EC4A 3BF, United Kingdom, Attention: Simon Jones.

So long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange shall so require, copies of the financial statements included in this offering memorandum may be obtained, free of charge, during normal business hours at the offices of the Listing Agent.

## **Governing Law**

The Indenture, the Notes, the Guarantees and the rights and duties of the parties thereunder are or will be governed by and construed in accordance with the laws of the State of New York, without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby. The Intercreditor Agreement and the Warner Village Intercreditor Agreement are governed by the laws of England and Wales. The Security Documents are or will be, as applicable, governed by and construed in accordance with the laws of various jurisdictions.

## **Consent to Jurisdiction and Service of Process**

The Company and each Guarantor has appointed CT Corporation System at 111 Eighth Avenue, New York, NY 10011, USA, as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Guarantees brought in any U.S. federal or New York state court located in the City of New York and will submit to such jurisdiction.

## **Enforceability of Judgments**

Substantially all of the assets of the Company and the Guarantors are outside the United States. As a result, any judgment obtained in the United States against the Company or any such Guarantor may not be collectable within the United States. See "Service of Process and Enforcement of Civil Liabilities."

## **Prescription**

Claims against the Company or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Company or any Guarantor for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

## **Certain Definitions**

Set forth below are certain defined terms used in the Indenture. Reference is made to the 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.

*"Acquired Debt"* means, with respect to any specified Person:

- (1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary; and
- (2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

*"Affiliate"* of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

*"AIMCo Group"* means PE12GV (Artist) Ltd., PE12PX (Artist) Ltd. and PE12PX (Artist- Management) Ltd.

"AIMCo Guarantor" collectively refers to PE12GVPE (Talon) Ltd. and PE12PXPE (Talon) Ltd., which are entities that are directed by Alberta Investment Management Corporation.

"Applicable Premium" means, with respect to any Note on any redemption date, the greater of:

- (1) with respect to any Fixed Rate Note on any redemption date, the greater of:
  - (a) 1.0% of the principal amount of such Fixed Rate Note; or
  - (b) the excess of:
    - (i) the present value at such redemption date of (i) the redemption price of such Fixed Rate Note at July 15, 2016 (such redemption price being set forth in the table appearing under the caption "— Optional Redemption — Fixed Rate Notes"), *plus* (ii) all required interest payments due on such Fixed Rate Note through July 15, 2016 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Gilt Rate as of such redemption date plus 50 basis points; over
    - (ii) the principal amount of the Fixed Rate Note, or
- (2) with respect to any Floating Rate Note on any redemption date, the greater of:
  - (a) 1.0% of the principal amount of such Floating Rate Note; or
  - (b) the excess of:
    - (i) the present value at such redemption date of (i) the redemption price of such Floating Rate Note at July 15, 2014 (such redemption price being set forth in the table appearing under the caption "— Optional Redemption — Floating Rate Notes"), *plus* (ii) all required interest payments due on such Floating Rate Note through July 15, 2014 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date *plus* 50 basis points and assuming that the rate of interest on such Floating Rate Notes from the redemption date through July 15, 2014 will equal the rate of interest on such Floating Rate Notes in effect on the applicable redemption date; over
    - (ii) the principal amount of the Floating Rate Note,

as calculated by the Company or an agent appointed by it. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee, the Calculation Agent or the Paying Agents.

"Asset Sale" means:

- (1) the sale, lease, conveyance or other disposition of any assets by the Company or any of its Restricted Subsidiaries; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described under the caption "— Repurchase at the Option of Holders — Change of Control" and/or the provisions described under the caption "— Certain Covenants — Merger, Consolidation or Sale of Assets" and not by the provisions described under the caption "— Repurchase at the Option of Holders — Asset Sales"; and
- (2) the issuance of Equity Interests by any Restricted Subsidiary or the sale by the Company or any of its Restricted Subsidiaries of Equity Interests in any of the Company's Subsidiaries (in each case, other than directors' qualifying shares).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than the greater of £10.0 million and 1.5% of Total Assets;
- (2) a transfer of assets or Equity Interests between or among the Company and any Restricted Subsidiary;
- (3) an issuance of Equity Interests by a Restricted Subsidiary to the Company or to a Restricted Subsidiary;
- (4) the sale, lease or other transfer of accounts receivable, inventory, trading stock, communications capacity and other assets (including any real or personal property) in the ordinary course of business

(including the abandonment or other disposition of intellectual property that is, in the reasonable judgment of the Company, no longer economically practicable to maintain or useful in the conduct of business of the Company and its Restricted Subsidiaries taken as a whole);

- (5) licenses and sublicenses granted by the Company or any of its Restricted Subsidiaries of software or intellectual property in the ordinary course of business;
- (6) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;
- (7) the granting of Liens not prohibited by the covenant described under the caption “— Certain Covenants — Liens”;
- (8) the sale or other disposition of cash or Cash Equivalents;
- (9) a Restricted Payment that does not violate the covenant described under the caption “— Certain Covenants — Restricted Payments,” or a Permitted Investment;
- (10) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (11) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (12) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person) related to such assets;
- (13) any sale or other disposition of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary, for so long as such entities are Unrestricted Subsidiaries;
- (14) any exchange of assets (including a combination of assets, cash and Cash Equivalents) for assets related to a Permitted Business of comparable or greater market value or usefulness to the business of the Company and its Restricted Subsidiaries as a whole, as determined in good faith by the Company;
- (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 Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and, in each case, comprising all or a portion of the consideration in respect of such sale or acquisition; and
- (16) any sale, transfer or other disposition of assets in compliance with the requirements of any competition or similar regulatory authority; *provided* that the gross proceeds of any sale or transfer or other disposition pursuant to this clause (16) are no less than the Fair Market Value of the assets taking into account the impact on the value of such assets arising from any enquiry or investigation being undertaken by a competition or other regulatory body (“*Authority*”) including, without limitation, (a) any obligation or undertaking owed to such Authority to dispose of the assets; and/or (b) any deadline imposed by such Authority for the completion of the disposal of the assets.

“*Beneficial Owner*” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning.

“*Board of Directors*” means:

- (1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;
- (2) with respect to a partnership, the board of directors of the general partner of the partnership;

- (3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and
- (4) with respect to any other Person, the board or committee of such Person serving a similar function.

*"Bund Rate"* means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity as of such 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 redemption date, where:

- (1) *"Comparable German Bund Issue"* means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to July 15, 2014 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 Floating Rate Notes and of a maturity most nearly equal to July 15, 2014; *provided, however*, that, if the period from such redemption date to July 15, 2014 is not equal to the fixed maturity of the German Bundesanleihe security selected by such Reference German Bund Dealer, the Bund Rate shall be determined by linear interpolation (calculated to the nearest one-twelfth of a year) from the yields of German Bundesanleihe securities for which such yields are given, except that if the period from such redemption date to July 15, 2014, is less than one year, a fixed maturity of one year shall be used;
- (2) *"Comparable German Bund Price"* means, with respect to any redemption 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 Company obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (3) *"Reference German Bund Dealer"* means any dealer of German Bundesanleihe securities appointed by the Company in good faith; and
- (4) *"Reference German Bund Dealer Quotations"* means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the Company in good faith 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 Company by such Reference German Bund Dealer at 3.30 p.m. Frankfurt, Germany, time on the third Business Day preceding the redemption date.

*"Business Day"* means a day other than a Saturday, Sunday or other day on which banking institutions in London or New York or a place of payment under the Indenture are authorized or required by law to close.

*"Calculation Agent"* means a financial institution appointed by the Company to calculate the interest rate payable on the Floating Rate Notes in respect of each interest period, which is initially The Bank of New York Mellon, London Branch.

*"Capital Lease Obligation"* means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet (excluding the notes thereto) prepared in accordance with UK GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

*"Capital Stock"* means:

- (1) in the case of a corporation, corporate stock;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and
- (4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.



*"Cash Equivalents"* means:

- (1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the European Union, the United States of America, Switzerland, Canada, Japan or Taiwan (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union or the United States of America, Switzerland, Canada, Japan or Taiwan, as the case may be, and which are not callable or redeemable at the Company's option, *provided* that such country (or agency or instrumentality) has long-term government debt rating of "Baa3" or higher by Moody's or "BBB –" or higher by S&P or the equivalent rating category of another internationally recognized rating agency, as of the date of the investment;
- (2) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the European Union or of the United States of America or any state thereof, Switzerland, Canada, Japan, Taiwan or any other jurisdiction in which the Company or any of its Restricted Subsidiaries are engaged in business; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of £250 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is at least "BBB –" or the equivalent thereof by S&P and at least "Baa3" or the equivalent thereof by Moody's or the equivalent rating category of another internationally recognized rating agency, as of the date of the investment;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) of this definition entered into with any financial institution meeting the qualifications specified in clause (2) of this definition;
- (4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P on the date of the investment and, in each case, maturing within one year after the date of acquisition;
- (5) with respect to a jurisdiction in which (a) the Company or a Restricted Subsidiary conducts its business or is organized and (b) it is not commercially practicable to make investments in clauses (1), (2) or (3) of this definition, demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any bank, trust company or similar entity, which would rank, in terms of combined capital and surplus and undivided profits or the ratings on its long term debt, among the top five banks in such jurisdiction, in an amount not to exceed cash generated in or reasonably required for operation in such jurisdiction;
- (6) other short term investments utilized by Restricted Subsidiaries in accordance with normal investment practices for cash management; *provided* that such deposits do not exceed £5.0 million (or the Sterling Equivalent thereof) with any single bank or £20.0 million (or the Sterling Equivalent thereof) in the aggregate at any date of determination thereafter; and
- (7) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

*"Change of Control"* means the occurrence of any of the following:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole to any Person (including any "person" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act)) other than one or more Permitted Holders;
- (2) the adoption of a plan relating to the liquidation or dissolution of the Company; or
- (3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" as defined above) other than one or more Permitted Holders becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of the Company measured by voting power rather than number of shares.

*"Change of Control Offer"* has the meaning assigned to that term in the Indenture governing the Notes.

"CinemaxX" means CinemaxX Aktiengesellschaft.

"CinemaxX Guarantors" means CinemaxX AG, CinemaxX Cinema GmbH & Co. KG, CinemaxX Entertainment GmbH & Co. KG and CinemaxX Movietainment GmbH.

"Collateral" means the rights, property and assets securing the Notes and the Guarantees pursuant to the initial Security Documents listed in Schedule I to the Indenture on the Issue Date and any rights, property or assets over which a Lien has been granted to secure the obligations of the Company and the Guarantors under the Notes, the Guarantees and the Indenture.

"Consolidated EBITDA" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus the following with respect to such Person and its Restricted Subsidiaries for such period to the extent deducted in calculating such Consolidated Net Income, without duplication:

- (1) provision for taxes based on income, profits or capital; *plus*
- (2) Fixed Charges; *plus*
- (3) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees) and other non-cash charges and expenses (including without limitation write-downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting) (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period (other than any charge relating to the creation of, and/or adjustment to, any onerous lease provision) or amortization of a prepaid cash charge or expense that was paid in a prior period) for such period; *plus*
- (4) the amount of any minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Restricted Subsidiary of such Person in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Equity Interests held by such parties; *plus*
- (5) Management Fees; *plus*
- (6) any income or charge attributable to a post-employment benefit scheme (including any interest relating to the unwinding discount factor on defined pension scheme liabilities) other than the current service costs and any past service costs and curtailments and settlements attributable to the scheme; *plus*
- (7) any expenses, charges or other costs related to any issuance of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *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), joint venture, disposition, recapitalization, Indebtedness permitted to be incurred by the Indenture, or the refinancing of any other Indebtedness (whether or not successful) (including such fees, expenses or charges related to the Transactions) and, in each case, deducted in such period in computing Consolidated Net Income; *plus*
- (8) all expenses incurred directly in connection with any early extinguishment of Indebtedness; *plus*
- (9) business optimization expenses and other restructuring charges, expenses, accruals or reserves (which shall include retention, severance, systems establishment cost, excess pension charges, contract termination costs, including future lease commitments, integration costs, transition costs, costs related to the start-up, closure, relocation or consolidation of facilities and costs to relocate employees), any costs associated with non-ordinary course tax or other projects and audits, signing, retention or completion bonuses, and any fees and expenses relating to any of the foregoing; *plus*
- (10) all adjustments of the nature used in connection with the calculation of "Pro forma Adjusted EBITDA" as set forth "Summary Historical and Pro Forma Combined Financial Information and Operating Data — Other Pro Forma Financial Data" contained in the Offering Memorandum applied in good faith to the extent such adjustments continue to be applicable during the period in which EBITDA is being calculated; *plus*

- (11) any (a) relocation costs or expenses relating to officers, directors, employees or consultants, or (b) the costs and expenses related to employment of terminated officers, directors, employees or consultants and stock appreciation or similar rights, stock options or other equity interests or rights of officers, directors, employees or consultants; *plus*
- (12) any interest relating to the unwinding discount factor on onerous leases or pre-opening costs in respect of cinemas; *minus*
- (13) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (15) of the definition of Consolidated Net Income), other than (a) the non-cash items relating to landlord contributions, (b) release of any onerous lease provisions and (c) the reversal of a reserve for cash charges in a future period in the ordinary course of business; *plus*
- (14) any non-recurring loss or charge; *minus*
- (15) any non-recurring gain,

in each case, on a consolidated basis and determined in accordance with U.K. GAAP. When Consolidated EBITDA is being calculated for the purpose of clause (1) of the second paragraph of the covenant under the caption “— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock,” it shall be calculated on a *pro forma* basis consistent with the calculation of Consolidated EBITDA for purposes of the Consolidated Senior Secured Leverage Ratio.

“*Consolidated Leverage*” means, with respect to any specified Person as of any date of determination, the sum of the total amount of Indebtedness of such Person and its Restricted Subsidiaries on a consolidated basis.

“*Consolidated Leverage Ratio*” means, with respect to any specified Person as of any date of determination, the ratio of (a) the Consolidated Leverage of such Person on such date to (b) the Consolidated EBITDA of such Person for such Person’s most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of determination.

In addition, for purposes of calculating the Consolidated EBITDA for such period:

- (1) acquisitions that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (for the purposes of this definition, the “*Calculation Date*”), or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Company and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the four-quarter reference period;
- (2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with U.K. GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;
- (3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period; and
- (4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period.

“*Consolidated Net Income*” means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiaries), determined in accordance with U.K. GAAP and without any reduction in respect of preferred stock dividends; *provided* that, with respect to such Person and its Restricted Subsidiaries for such period:

- (1) (a) any extraordinary, exceptional or unusual gain, loss or charge, (b) any asset impairment charges, the financial impacts of natural disasters (including fire, flood and storm and related events), (c) any non-cash charges or reserves in respect of any restructuring, redundancy, integration or severance,

in each case, or (d) any expenses, charges, reserves or other costs related to the Transactions shall be excluded;

- (2) the net income (loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary which is a Subsidiary of the Person;
- (3) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption “— Certain Covenants — Restricted Payments,” any net income or loss of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary’s charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released and (b) restrictions permitted under the covenant “— Certain Covenants — Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries,” except that the Company’s equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor), to the limitation contained in this clause);
- (4) any net after-tax income or loss from discontinued operations and any net after-tax gains or losses on disposal of discontinued operations shall be excluded;
- (5) any net gain or loss realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale leaseback transaction or any sale or other disposition not constituting an Asset Sale pursuant to clauses (15) or (16) of the definition thereof) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Company) will be excluded;
- (6) any one-time non-cash charges or any amortization or depreciation resulting from purchase accounting (whether arising as a result of purchase accounting prior to or subsequent to the Issue Date) in each case, in relation to any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Company or its Subsidiaries will be excluded;
- (7) the cumulative effect of a change in accounting principles will be excluded;
- (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 or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;
- (9) any (a) one-time non-cash compensation charges or expenses arising from any grant of stock, and (b) non-cash costs and expenses realized in connection with or resulting from stock appreciation or similar rights, stock options or other equity interests or rights of officers, directors, employees or consultants, shall be excluded;
- (10) any goodwill or other intangible asset impairment charges will be excluded;
- (11) any unrealized foreign currency translation gains or losses will be excluded;
- (12) all deferred financing costs written off and premium paid in connection with any early extinguishment of Indebtedness and any net gain or loss from any write-off or forgiveness of Indebtedness will be excluded;
- (13) any capitalized interest on any Subordinated Shareholder Debt will be excluded;
- (14) to the extent not already included in Consolidated Net Income of such Person and its Restricted Subsidiaries and not duplicative with anything set forth in the preceding clause (1), the amount of proceeds actually received from business interruption and other liability and/or casualty insurance and reimbursements of any expenses and charges pursuant to indemnification or other

reimbursement provisions in connection with any Permitted Investment or any sale, conveyance, transfer or other disposition of assets permitted under the Indenture shall be included; and

- (15) (a) the non-cash portion of “straight-line” rent expense shall be excluded and (b) the cash portion of “straight-line” rent expense that exceeds the amount expensed in respect of such rent expense shall be included.

“*Consolidated Senior Secured Leverage*” means, as of any date of determination, the sum without duplication of the total amount of Senior Secured Indebtedness of the Company and its Restricted Subsidiaries on a consolidated basis; *provided, however*, that the *pro forma* calculation of Consolidated Senior Secured Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the second paragraph under the caption “— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock” or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under the caption “— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock” (other than clause (17) of such paragraph thereof).

“*Consolidated Senior Secured Leverage Ratio*” means with respect to any specified Person as of any date of determination, the ratio of (a) the Consolidated Senior Secured Leverage of such Person on such date to (b) the Consolidated EBITDA of such Person for such Person’s most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding such date on which such additional Indebtedness is incurred.

In addition, for purposes of calculating the Consolidated EBITDA for such period:

- (1) acquisitions that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the date on which the event for which the calculation of the Consolidated Senior Secured Leverage Ratio is made (for the purposes of this definition, the “*Calculation Date*”), or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Company and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the four-quarter reference period;
- (2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with UK GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;
- (3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period; and
- (4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period.

“*Contingent Obligations*” means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness (“*primary obligations*”) of any other Person (the “*primary obligor*”), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds:
  - (a) for the purchase or payment of any such primary obligation; or
  - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.



*"continuing"* means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

*"Credit Facilities"* means, one or more debt facilities, instruments or arrangements incurred by any Restricted Subsidiary (including the Revolving Credit Facility Agreement or commercial paper facilities and overdraft facilities) or commercial paper facilities or indentures or trust deeds or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, bonds, notes debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks or institutions and whether provided under the Revolving Credit Facility Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term *"Credit Facilities"* shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

*"Currency Exchange Protection Agreement"* means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

*"Default"* means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

*"Designated Non-Cash Consideration"* means the Fair Market Value of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as *"Designated Non-Cash Consideration"* pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-Cash Consideration.

*"Disinterested Director"* means, with respect to any transaction or series of related transactions, a member of the Board of Directors of the Company who does not have any direct or indirect financial interest in or with respect to such transaction or series of related transactions. A member of the Board of Directors of the Company shall not be deemed to have such a financial interest by reason of such member's holding Capital Stock of the Company, any Parent Entity or any options, warrants or other rights in respect of such Capital Stock.

*"Disqualified Stock"* means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the six-month anniversary of the date that the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described under the caption *"— Certain Covenants — Restricted Payments."* For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.



*"Domination Agreement"* means a domination agreement (*Beherrschungsvertrag*) and/or a profit and loss pooling agreement (*Gewinnabführungsvertrag*) between Vue Beteiligungs GmbH as dominating entity and CinemaxX AG as the dominated entity.

*"Equity Contribution"* means the sale or issue of Equity Interests and Subordinated Shareholder Debt of the Company, and the contribution of common equity capital to the Company in connection with the Transactions.

*"Equity Interests"* means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

*"Equity Investors"* means any member of the AIMCo Group or the OMERS Group.

*"Equity Offering"* means a sale of Capital Stock (other than to the Company or any of its Subsidiaries) (1) that is a sale of Capital Stock of the Company (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the U.S. Securities Act or any similar offering in other jurisdictions, or (2) the proceeds of which are contributed as Subordinated Shareholder Debt or to the equity (other than through the issuance of Disqualified Stock) of the Company or any of its Restricted Subsidiaries.

*"Escrowed Property"* means the proceeds from the offering of any debt securities or other Indebtedness paid into segregated escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Property" shall include any interest earned on the amounts held in escrow.

*"European Government Obligations"* means direct obligations of, or obligations guaranteed by, a member state of the European Union, and the payment for which such member state of the European Union pledges its full faith and credit; *provided* that such member state has a long-term government debt rating of "A1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another internationally recognized rating agency.

*"Excluded Contributions"* means the net cash proceeds received by the Company after the Issue Date (other than any such cash proceeds that are from the Equity Contribution) from:

- (1) contributions to its Equity Interests; and
- (2) the sale (other than to a Subsidiary of the Company) of Capital Stock (other than Disqualified Stock) of the Company,

in each case, designated as "Excluded Contributions" pursuant to an Officer's Certificate (which shall be designated no later than the date on which such Excluded Contribution has been received by the Company), the net cash proceeds of which are excluded from the calculation set forth in the clause (c)(ii) of the first paragraph of the covenant described under the caption "— Certain Covenants — Restricted Payments" hereof.

*"Fair Market Value"* means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by any of the Company's Chief Executive Officer, Chief Financial Officer or other responsible accounting or financial officer of the Company.

*"Fixed Charge Coverage Ratio"* means, with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Subsidiaries which are Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than incurrences or repayments of ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (for the purpose of this definition, the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by the Company's Chief Financial Officer or a responsible financial or accounting officer of the Company) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the second paragraph under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock"

(other than clause (16) of such paragraph thereof, the incurrence of which itself is subject to the Fixed Charge Coverage Ratio) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under the caption “— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock” (other than clause (16) of such paragraph thereof).

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) acquisitions of business entities or property and assets constituting a division or line of business of any Person, acquisitions that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by the Company's Chief Financial Officer or Chief Accounting Officer and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the four-quarter reference period;
- (2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with UK GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;
- (3) the Fixed Charges attributable to discontinued operations, as determined in accordance with UK GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Subsidiaries which are Restricted Subsidiaries following the Calculation Date;
- (4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;
- (5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and
- (6) if any Indebtedness bears a floating rate of interest and such Indebtedness is to be given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

“Fixed Charges” means, with respect to any specified Person for any period, the sum, without duplication, of:

- (1) the consolidated interest expense (net of interest income) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt discount (but not debt issuance costs, commissions, fees and expenses), non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments), the interest component of deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings; *plus*
- (2) the consolidated interest expense (but excluding such interest on Subordinated Shareholder Debt) of such Person and its Subsidiaries which are Restricted Subsidiaries that was capitalized during such period; *plus*
- (3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Subsidiaries which are Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Subsidiaries which are Restricted Subsidiaries; *plus*
- (4) net payments and receipts (if any) pursuant to interest rate Hedging Obligations (excluding amortization of fees) with respect to Indebtedness; *plus*

- (5) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of any Restricted Subsidiary, other than dividends on Equity Interests payable to the Company or a Restricted Subsidiary, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Company; *minus*
- (6) to the extent included in any of the forgoing clauses (1) through (5), any interests relating to the unwinding discount factor on onerous leases and defined pension scheme liabilities.

*"German Company Conversion"* means the conversion of CinemaxX into a limited liability company incorporated under the laws of Germany (*Gesellschaft mit beschränkter Haftung*, GmbH) being registered in the competent commercial register (*Handelsregister*).

*"German Trapped Cash Equity Bridge Loan"* means the loan agreement to be entered into on or prior to the Vue Acquisition Completion Date, among the Company, as borrower, and any Parent Entity.

*"Gilt Rate"* means, with respect to any redemption date, the yield to maturity as of such redemption date of U.K. Government Securities with a fixed maturity (as compiled by the Office for National Statistics and published in the most recent Financial Statistics that have become publicly available at least two Business Days in London prior to such redemption date (or, if such Financial Statistics are no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to, with respect to the Fixed Rate Notes, July 15, 2016; *provided, however*, that if the period from such redemption date to, with respect to the Fixed Rate Notes, July 15, 2016, is less than one year, the weekly average yield on actually traded U.K. Government Securities denominated in sterling adjusted to a fixed maturity of one year shall be used; and *provided further*, that in no case shall the Gilt Rate be less than zero.

*"guarantee"* means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, of all or any part of any Indebtedness (whether arising by agreements to keep-well, to take or pay or to maintain financial statement conditions, pledges of assets or otherwise).

*"Guarantee"* means the guarantee by each of the Guarantors of the Company's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

*"Guarantors"* means the Initial Vue Guarantors, the Multikino Guarantors, the CinemaxX Guarantors and any Subsidiary of the Company that executes a Guarantee in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Guarantee of such Person has been released in accordance with the provisions of the Indenture.

*"Hedging Obligations"* means, with respect to any specified Person, the obligations of such Person under:

- (1) interest rate swap agreements, (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;
- (2) other agreements or arrangements designed to manage interest rates or interest rate risk; and
- (3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates, including Currency Exchange Protection Agreements, or commodity prices.

*"IFRS"* means the International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union and in effect on the date hereof, or, with respect to the covenant described under the caption "*— Certain Covenants — Reports*" as in effect from time to time.

*"Indebtedness"* means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

- (1) in respect of borrowed money;
- (2) evidenced by bonds, notes, debentures or similar instruments for which such Person is responsible or liable;
- (3) representing reimbursement obligations in respect of letters of credit, bankers' acceptances or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);

- (4) representing Capital Lease Obligations;
- (5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed, unless being disputed in good faith; and
- (6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the notes thereto) of the specified Person prepared in accordance with U.K. GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person to the extent guaranteed by such Person; *provided, however*, that in the case of Indebtedness secured by a Lien, the amount of such Indebtedness will be the lesser of (a) the Fair Market Value of such asset at such date of determination (as determined in good faith) by the Company and (b) the amount of such Indebtedness of such other Person.

The term "Indebtedness" shall not include:

- (1) Subordinated Shareholder Debt;
- (2) any lease of property (including Permitted Premises Leases) which would be considered an operating lease under U.K. GAAP (as in effect on the Issue Date);
- (3) Contingent Obligations in the ordinary course of business;
- (4) in connection with the purchase by the Company 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 45 days thereafter;
- (5) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;
- (6) deferred or prepaid revenues including prepayments or deposits received from clients or customers, or any obligations relating to advance ticket sales, in each case, in the ordinary course of business;
- (7) Indebtedness in respect of the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of standby letters of credit, rental guarantees, performance guarantees or bonds or surety bonds provided by or at the request of the Company or any of its Restricted Subsidiaries in the ordinary course of business (including standby letters of credit, rental guarantees, performance guarantees or bonds or surety bonds in respect of such standby letters of credit, rental guarantees, performance guarantees or bonds or surety bonds or obligations under any license, permit or other approval (or guarantees given in respect of such obligations)) to the extent such standby letters of credit, rental guarantees, performance guarantees or bonds or surety 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 30 days following receipt by such Person of a demand for reimbursement following payment on the standby letter of credits, rental guarantees, performance guarantees or bonds or surety bonds; and
- (8) up until the completion of the Squeeze Out, Indebtedness incurred in favor of minority shareholders of the CinemaxX or in favor of a person who has assumed an obligation to minority shareholders of the CinemaxX as a result of or in connection with the Squeeze Out, including, without limitation, the Squeeze Out Guarantee.

"*Initial Public Offering*" means the first Public Equity Offering of common stock or common equity interests of the Company or any Parent Entity (the "*IPO Entity*") following which there is a Public Market.

"*Initial Purchasers*" means Goldman Sachs International, Morgan Stanley & Co. International plc and Lloyds TSB Bank plc.

*"Initial Vue Guarantors"* means Vue Entertainment International Limited; Vue Holdings (Jersey) Limited; Vue Holdings (UK) Limited; Vue Entertainment Investment Limited; Vue Entertainment Holdings Limited; Vue Entertainment Holdings (UK) Limited; Treganna Bidco Limited; Apollo Cinemas Limited; Shake UK Newco Limited; A3 Cinema Limited; Aurora Holdings Limited; Aurora Cinema (Ireland) Limited; Aurora Cinema Limited; Ster Century (UK) Limited; Vue Entertainment Limited; Vue Beteiligungs GmbH; Vue Entertainment (UK) Limited; Vue Properties Limited; Vue Cinemas Limited and Vue Cinemas (UK) Limited.

*"Investment Grade Status"* shall occur when the Notes are rated "Baa3" or better by Moody's and "BBB—" or better by S&P (or, if either entity ceases to rate the Notes, the equivalent investment grade credit rating from any other Rating Agency).

*"Investments"* means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet (excluding the notes) prepared in accordance with UK GAAP. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described under the caption "— Certain Covenants — Restricted Payments." The acquisition by the Company or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described under the caption "— Certain Covenants — Restricted Payments." Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

*"Intercreditor Agreement"* means the intercreditor agreement, dated July 18, 2013, made between, among others, the Security Agent, the agent for the Revolving Credit Facility, the Trustee and the other parties named therein, as amended, restated or otherwise modified or varied from time to time.

*"IPO Market Capitalization"* means an amount equal to (1) 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 (2) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

*"Issue Date"* means July 18, 2013.

*"Lien"* means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof.

*"Management Advances"* means loans or advances made to, or guarantees with respect to loans or advances made to, directors, officers, employees or consultants of the Company or any Restricted Subsidiary:

- (1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;
- (2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office;
- (3) in the case of this clause (3), in the ordinary course of business and not exceeding £6.0 million in the aggregate outstanding at any time; or
- (4) (a) to pay for the purchase or other acquisition for value of Equity Interests of the Company (other than Disqualified Stock), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or



arrangement, or (b) to fund the purchase or other acquisition of value for any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit; *provided that*, in each of the preceding clauses (a) and (b), the proceeds from such loan or advance are used to purchase Equity Interests of the Company (other than Disqualified Stock) or purchase Subordinated Shareholder Debt from the Company (*provided*, that such amounts shall not constitute Excluded Contributions and will be excluded from the calculation of amounts under clause (c)(ii) of the first paragraph and clause (2) of the third paragraph of the covenant under the heading “— Certain Covenants — Restricted Payments”).

“*Management Fees*” means:

- (1) customary annual fees for the performance of monitoring services by any of the Equity Investors or any of their Affiliates for the Company or any Restricted Subsidiary; *provided* that such fees will not, in the aggregate, exceed £1.0 million per annum (exclusive of out-of-pocket expenses); and
- (2) customary fees and related expenses for the performance of transaction, management, consulting, financial or other advisory services or underwriting, placement or other investment banking activities, including in connection with mergers, acquisitions, dispositions or joint ventures, by any of the Equity Investors or any of their Affiliates for the Company or any of its Restricted Subsidiaries, which payments in respect of this clause (2) either (a) will have been approved by a majority of the Disinterested Directors of the Company or (b) will not exceed 1% of the aggregate net cash proceeds from the substantially concurrent sale or issuance (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock) and/or Subordinated Shareholder Debt in connection with such transaction for which the fees relate.

“*Market Capitalization*” means an amount equal to (1) 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* (2) 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.

“*Multikino Acquisition Agreement*” means the Sale and Purchase Agreement dated as of May 10, 2013, among, Multikino Holding B.V., International Trading and Investments Holdings S.A. Luxembourg, AP Portico Slask S.A R.L., Apollo Real Estate Investment Fund III, L.P., Eudialyte Company sp. z o.o. and Vue Holdings (Jersey) Limited.

“*Multikino Guarantors*” means Multikino S.A. and Eudialyte Company sp. z o.o.

“*Net Proceeds*” means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any Designated Non-Cash Consideration or other consideration received in non-cash form or Cash Equivalents substantially concurrently received in any Asset Sale), net of the direct costs relating to such Asset Sale and the sale of such Designated Non-Cash Consideration or other consideration received in non-cash form, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, and all distributions and other payments required to be made to minority interest holders (other than the Company or any Subsidiary) in Subsidiaries or joint ventures as a result of such Asset Sale, and any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with U.K. GAAP.

“*Non-Recourse Debt*” means Indebtedness as to which neither the Company nor any of its Restricted Subsidiaries (1) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (2) is directly or indirectly liable as a guarantor or otherwise.

“*Obligations*” means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

“*Offering Memorandum*” means the final offering memorandum, dated July 11, 2013, in relation to the issuance of the Original Notes.

“*Officer*” means, with respect to any Person, the Chief Executive Officer, Chief Financial Officer, President, any Executive Vice President, Senior Vice President, Vice President, the Treasurer, the Secretary,



Director or member of the Board of Directors of such Person or any other person that the Board of Directors of such Person shall designate for such purpose.

*"Officer's Certificate"* means a certificate signed by an Officer that meets the requirements of the Indenture.

*"OMERS Group"* means OCP Trust, OMERS Administration Corporation, OMERS Private Equity Inc., OPE Vougeot Holdings Limited and OPE Vougeot Investment Limited.

*"Parent Entity"* means any direct or indirect parent company or entity of the Company.

*"Permitted Business"* means (1) any business, services or activities engaged in by the Company or any of its Restricted Subsidiaries on the Issue Date, and (2) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing, or are extensions or developments of any thereof.

*"Permitted Collateral Liens"* means:

- (1) Liens on the Collateral to secure the Notes (or the Guarantees) (but not any Additional Notes (or any guarantee of Additional Notes)) issued on the Issue Date;
- (2) Liens on the Collateral to secure Indebtedness that is permitted by clause (1) of the second paragraph of the covenant under the caption "*— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock*"; *provided* that, in each case, all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secure the Notes and the Guarantees on a senior or *pari passu* basis (and for the avoidance of doubt, such Indebtedness may receive priority as to enforcement proceeds from such Collateral); and *provided further* that each of the parties thereto will have entered into the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (3) Liens on the Collateral to secure Indebtedness (a) that is permitted by clauses (4), (15) or (17) of the second paragraph of the covenant under the caption "*— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock*" or (b) that is permitted by clause (16) of the second paragraph of the covenant under the caption "*— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock*" or that is Senior Secured Indebtedness that is permitted by the first paragraph of the covenant under the caption "*— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock*"; *provided* that, in each case, all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secure the Notes and the Guarantees on a senior or *pari passu* basis; and *provided further* that each of the parties thereto or their representatives will have entered into the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (4) Liens on the Collateral to secure Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace or discharge, any Indebtedness which is secured by a Permitted Collateral Lien on the Collateral pursuant to the preceding clauses (1), (3)(b) or this clause (4); *provided* that all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes and the Note Guarantees with priority with respect to the Permitted Refinancing Indebtedness substantially similar to that of the Indebtedness which is being exchanged, renewed, refunded, refinanced, replaced or discharged; *provided further* that each of the parties thereto and their representatives will have entered into the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (5) Liens on Equity Interests of the Company and any Subordinated Shareholder Debt of the Company; *provided* that such Liens rank junior to those Liens securing the Notes and the Guarantees, and which Indebtedness secured by such Liens are not secured by any Collateral of the Company and its Restricted Subsidiaries; *provided further* that each of the parties thereto or their representatives will have entered into the Intercreditor Agreement or any Additional Intercreditor Agreement as "*High Yield Notes Creditors*";
- (6) Liens on the Collateral to secure obligations under Hedging Obligations (other than Hedging Obligations in respect of commodity prices) permitted by clause (8) of the second paragraph of the covenant under the caption "*— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock*"; *provided* that, all property and assets securing such Hedging Obligations also secure the Notes and any Guarantees on a senior or *pari passu* basis (and to the extent such

Hedging Obligations relate to Indebtedness referred to in clauses (1) through (4) above, such Indebtedness may receive priority as to enforcement proceeds from such Collateral); and *provided further* that each of the parties thereto will have entered into the Intercreditor Agreement or any Additional Intercreditor Agreement;

- (7) Liens on the Permitted WV Security constituting Collateral to secure obligations under the Warner Village Counter-Indemnity; *provided* that such Liens on such Collateral rank junior to the Liens on the Warner Village Counter-Indemnity that secure the Notes and the Guarantees and all property and assets securing the Warner Village Counter-Indemnity also secure the Notes and the Guarantees on a senior priority basis; *provided further*, that each of the parties to the Warner Village Counter-Indemnity will have executed the Warner Village Intercreditor Agreement; and
- (8) Liens on the Collateral that are described in one or more of clauses (3), (6), (7), (8), (12), (13), (14), (16), (17), (18), (19), (20), (21), (27) and (31) of the definition of "Permitted Liens" and that, in each case, would not materially interfere with the ability of the Security Agent to enforce any Lien over the Collateral.

*"Permitted Digital Asset Financing"* means any leasing or asset financing where the relevant financier only has recourse against the asset being financed (without having recourse against the Company or any other Restricted Subsidiary) undertaken by the Company or a Restricted Subsidiary for the acquisition of digital cinema equipment with a financier selected by and in the sole discretion of the Company pursuant to or under which: (1) capital expenditure on digital cinema equipment is fully funded from either such leasing or financing (or from cash on the balance sheet of the Company); (2) such leasing or financing does not have a maturity date prior to the Stated Maturity of the Notes or is fully amortized from the cash flows of the business or of a special purpose vehicle company incorporated for the purposes of implementing the digital asset financing; (3) the principal amount of such financing does not in the aggregate exceed £10.0 million (or the equivalent) and (4) the ratio of projected cashflow to projected debt service in respect of such leasing or financing (as determined by the Company acting in good faith at the time of incurrence) is not less than 1.10 to 1.0.

*"Permitted Holders"* means the Equity Investors, Senior Management and the Affiliates and Related Parties of the Equity Investors. Any Person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates and Related Parties, constitute an additional Permitted Holder.

*"Permitted Investments"* means:

- (1) any Investment in the Company or in a Restricted Subsidiary;
- (2) any Investment in cash and Cash Equivalents;
- (3) any Investment by the Company or any Restricted Subsidiary in a Person, if as a result of such Investment:
  - (a) such Person becomes a Restricted Subsidiary of the Company; or
  - (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary;
- (4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described under the caption "*— Repurchase at the Option of Holders — Asset Sales*";
- (5) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes;
- (6) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;
- (7) Investments represented by Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant under the caption "*— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock*";

- (8) Investments in the Notes (including any Additional Notes) and any other Indebtedness of the Company or any Restricted Subsidiary;
- (9) any guarantee of Indebtedness permitted to be incurred by the covenant described under the caption “— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock”;
- (10) any Investment existing on, or made pursuant to binding commitments existing on, the Vue Acquisition Completion Date, and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Vue Acquisition Completion Date; *provided* that the amount of any such Investment may be increased as required by the terms of such Investment as in existence on the Vue Acquisition Completion Date;
- (11) Investments acquired after the Issue Date as a result of the acquisition by the Company or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Company or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described under the caption “— Certain Covenants — Merger, Consolidation or Sale of Assets” after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;
- (12) pledges or deposits (a) with respect to leases or utilities provided to third parties in the ordinary course of business or (b) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock”;
- (13) any Investment to the extent made using as consideration Capital Stock of the Company (other than Disqualified Stock), Subordinated Shareholder Debt or Capital Stock of any Parent Entity;
- (14) Management Advances; and
- (15) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (15) that are at the time outstanding not to exceed an amount equal to the greater of £40.0 million and 5.0% of Total Assets; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary at the date of the making of such Investment and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under the caption “— Certain Covenants — Restricted Payments,” such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of “Permitted Investments” and not this clause (15).

*“Permitted Liens” means:*

- (1) Liens in favor of the Company or any of the Restricted Subsidiaries;
- (2) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Company or any Restricted Subsidiary; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary or such merger or consolidation, were not incurred in contemplation thereof and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary or is merged with or into or consolidated with the Company or any Restricted Subsidiary;
- (3) Liens to secure the performance of statutory obligations, trade contracts, insurance, surety or appeal bonds, workers’ compensation obligations, leases, performance bonds, guarantees, rental guarantees or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);
- (4) Liens to secure Indebtedness permitted by clause (4) of the second paragraph of the covenant under the caption “— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock” covering only the assets acquired with or financed by such Indebtedness;
- (5) Liens existing on the Vue Acquisition Completion Date;

- (6) Liens for taxes, assessments or governmental charges or claims that (a) are not yet due and payable or b) are being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as will be required in conformity with UK GAAP will have been made;
- (7) Liens imposed by law or by agreement having the same effect, such as carriers', warehousemen's, landlord's, banks' and mechanics' Liens, in each case, incurred in the ordinary course of business of the Company and its Restricted Subsidiaries;
- (8) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;
- (9) Liens created for the benefit of (or to secure) the Notes and Guarantees;
- (10) Liens securing Indebtedness under Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant described under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock";
- (11) Liens to secure any Permitted Refinancing Indebtedness (excluding Liens to secure Permitted Refinancing Indebtedness initially secured pursuant to clauses (4) or (26) of this definition) permitted to be incurred under the Indenture; *provided, however*, that:
  - (a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and
  - (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (i) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;
- (12) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;
- (13) filing of Uniform Commercial Code financing statements under U.S. state law (or similar filings under other applicable jurisdictions) in connection with operating leases in the ordinary course of business;
- (14) bankers' Liens, rights of setoff or similar rights and remedies as to deposit accounts, (including any Lien created or subsisting over any asset held in any securities depository or any clearing house pursuant to the standard terms and procedures of the relevant securities depository or clearing house applicable in the normal course of trading), Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;
- (15) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;
- (16) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (17) leases, licenses, subleases and sublicenses of assets in the ordinary course of business;
- (18) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;
- (19) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Company or any Restricted Subsidiary has easement rights or on any real property leased by the

Company or any Restricted Subsidiary and subordination or similar agreements relating thereto and (b) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

- (20) Liens on 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;
- (21) 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;
- (22) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (23) 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;
- (24) Liens on any proceeds loan made by the Company or any Restricted Subsidiary in connection with any future incurrence of Indebtedness permitted under the Indenture and securing that Indebtedness;
- (25) Liens on property at the time the Company or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Company or any Restricted Subsidiary; *provided* that such Liens are not created, incurred or assumed in connection with, or in contemplation of, such acquisition and do not extend to any other property owned by the Company or any Restricted Subsidiary;
- (26) Liens incurred in the ordinary course of business of the Company and its Restricted Subsidiaries with respect to obligations that do not exceed £25.0 million at any one time outstanding;
- (27) any interest or title of a lessor under any operating lease;
- (28) Liens on assets or property of a Restricted Subsidiary of the Company (other than a Guarantor or the CinemaxX Guarantors prior to acceding to the Indenture) securing Indebtedness of such Restricted Subsidiary or another Restricted Subsidiary (other than a Guarantor);
- (29) Liens on Escrowed Property 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;;
- (30) Liens encumbering cash deposits in bank accounts established to provide cash collateral to letters of credit, guarantees and similar instruments that were issued prior to the Issue Date; and
- (31) Liens incurred in connection with a cash management program established in the ordinary course of business;
- (32) Liens created or subsisting in order to secure any obligations incurred in order to comply with the requirements of section 8a of the German Partial Retirement Act (*Altersteilzeitgesetz*) or pursuant to section 7e of the Fourth Book of the German Social Security Code (SGB IV);
- (33) Liens incurred in connection with the Squeeze Out Guarantee; and
- (34) any Lien over any rental deposit or cinema inventory granted by the Company or its Restricted Subsidiary (which holds a leasehold) to the holders of the freehold or leasehold interest in real property.

*"Permitted Parent Payments"* means the declaration and payment of dividends or other distributions, or the making of loans, by the Company or any of its Restricted Subsidiaries to any Parent Entity, or the payment by the Company or any of its Restricted Subsidiaries in amounts on behalf of any Parent Entity, in amounts and at times required to pay:

- (1) franchise fees and other fees, taxes and expenses required to maintain the corporate existence of any Parent Entity;



- (2) general corporate overhead expenses of any Parent Entity to the extent such expenses are attributable to the ownership or operation of the Company and its Restricted Subsidiaries or related to the proper administration of such Parent Entity (including fees and expenses properly incurred in the ordinary course of business to auditors and legal advisors and payments in respect of services provided by directors, officers, consultants, or employees of any such Parent Entity) not to exceed £2.0 million in any 12 month period;
- (3) for so long as the Company or any of its Restricted Subsidiaries is a member of a group for tax purposes with any Parent Entity, payments to that Parent Entity in respect of an allocable portion of the tax liabilities of such group that is attributable to the Company or the relevant Restricted Subsidiary ("*Tax Payments*"); *provided* that the Tax Payments shall not exceed the lesser of (a) the amount of the relevant tax (including any penalties and interest) that the Company or the relevant Restricted Subsidiaries would owe if they were not part of a group for tax purposes, taking into account any carryovers and carrybacks of tax attributes (such as net operating losses) of the Company and such Restricted Subsidiary from other taxable years and (b) the net amount of the relevant tax that any Parent Entity actually owes to the appropriate taxing authority;
- (4) costs (including all professional fees and expenses) incurred by any Parent Entity in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Company or any of its Restricted Subsidiaries, including in respect of any reports filed with respect to the U.S. Securities Act, U.S. Exchange Act or the respective rules and regulations promulgated thereunder; and
- (5) fees and expenses of any Parent Entity incurred in relation to any public offering or other sale of Capital Stock or Indebtedness (whether or not completed) (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or any of its Restricted Subsidiaries; (b) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or (c) otherwise on an interim basis prior to completion of such offering so long as any Parent Entity will cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Permitted Premises Lease*" means any real property lease that is entered into on arm's length terms and has a term of five years or more.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness (other than any proceeds loan)); *provided* that:

- (1) the aggregate principal amount (or accreted value, if applicable), or, if issued with original issue discount, aggregate issue price, of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);
- (2) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;
- (3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is expressly, contractually, subordinated in right of payment to the Notes or any Guarantee, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or such Guarantee, as the case may be, on terms at least as favorable to the holders of Notes or the Guarantee, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged;



- (4) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is secured by a Lien that ranks junior to Liens securing the Notes or any Guarantee, Liens securing such Permitted Refinancing Indebtedness, if secured, rank junior to the Liens securing the Notes or such Guarantee, as the case may be, and are subordinated on terms at least as favorable to the holders of Notes or the Guarantee, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged; and
- (5) if the Company or any Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is incurred either by the Company, a Finance Subsidiary or by a Guarantor.

*"Permitted WV Security"* has the meaning assigned to it in the Warner Village Intercreditor Agreement.

*"Person"* means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

*"Public Equity Offering"* means, with respect to any Person, a *bona fide* underwritten primary public offering of the shares of common stock or common equity interests of such Person, either:

- (1) pursuant to a flotation on the main market of the London Stock Exchange or any other nationally recognized regulated stock exchange or listing authority in a member state of the European Union; or
- (2) pursuant to an effective registration statement under the U.S. Securities Act (other than a registration statement on Form S-8 or otherwise relating to Equity Interests issued or issuable under any employee benefit plan).

*"Public Market"* means any time after:

- (1) a Public Equity Offering of the IPO Entity has been consummated; and
- (2) at least 20% of the total issued and outstanding shares of common stock or common equity interests of the IPO Entity has been distributed to investors other than the Permitted Holders or their Related Parties or any other direct or indirect shareholders of the Company as of the Issue Date.

*"Rating Agencies"* means either Moody's or S&P or, in the event Moody's or S&P no longer assigns a rating to the Notes, any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Company as a replacement agency.

*"Related Party"* means:

- (1) any controlling stockholder, partner or member, or any 50% (or more) owned Subsidiary, or immediate family member (in the case of an individual), of any Equity Investor; or
- (2) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding a 50% or more controlling interest of which consist of any one or more Equity Investors and/or such other Persons referred to in the immediately preceding clause.

*"Restricted Investment"* means an Investment other than a Permitted Investment.

*"Restricted Subsidiary"* means any Subsidiary of the Company that is not an Unrestricted Subsidiary.

*"Revolving Credit Facility"* means the revolving credit facility governed by the Revolving Credit Facility Agreement.

*"Revolving Credit Facility Agreement"* means the revolving credit facility agreement, dated July 18, 2013, by and among the Company, the senior lenders named therein, the Security Agent and the agent named therein, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

*"S&P"* means Standard & Poor's Ratings Group.

*"Security Agent"* means Lloyds TSB Bank plc, until a successor replaces it in accordance with the applicable provisions of the Indenture or the Intercreditor Agreement and the Warner Village Intercreditor Agreement and thereafter means the successor thereof.

*"Security Documents"* means the share pledges and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended,

supplemented or otherwise modified from time to time and pursuant to which the Collateral is pledged, assigned or granted to or on behalf of the Security Agent for the benefit of the holders of the Notes or in its capacity as a parallel debt creditor (as applicable) and the Trustee or notice of such pledge, assignment or grant is given.

*"Senior Management"* means the officer, directors and other members of the management of the Company of any of its Subsidiaries, or family members or relatives of any of the foregoing who are or become Senior Management in connection with estate planning for or inheritance from other members of Senior Management, as determined in good faith by the Company, or trusts, partnerships, limited liability companies or other entities for the benefit of any of the foregoing, or any of their heirs, executors, successors and legal representatives who, at any date, beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company or Capital Stock of any Parent Entity.

*"Senior Secured Indebtedness"* means, with respect to any Person, (1) Indebtedness (other than Indebtedness of the type specified in clauses (4), (6), (8), (9) (without duplication of any Indebtedness included in this definition), (10), (11), (12), (13), (14) and (18) of the second paragraph of the covenant under the caption *"— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock"* and Indebtedness secured solely by a Lien permitted by clause (5) of the definition of *"Permitted Collateral Liens"*) of that Person and its Restricted Subsidiaries that is secured by Lien and (2) Indebtedness of a Restricted Subsidiary of the Company that is not a Guarantor.

*"Significant Subsidiary"* means, at the date of determination, any Restricted Subsidiary that together with its Subsidiaries which are Restricted Subsidiaries (1) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Company or (2) as of the end of the most recent fiscal year, was the owner of more than 10% of the consolidated assets of the Company.

*"Shareholder Loans"* means shareholder loans made by the direct Parent Entity of the Company to the Company on the Issue Date.

*"Squeeze Out"* means the exclusion of minority shareholders of CinemaxX pursuant to either section 327a et seqq. German Stock Corporation Act (*AktG*) or section 39a German Takeover Code (*WpÜG*).

*"Squeeze Out Guarantee"* means a guarantee issued in compliance with, and in the form required by, section 327b(3) German Stock Corporation Act (*AWG*).

*"Stated Maturity"* means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date or the date of incurrence, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

*"Sterling-Equivalent"* means with respect to any monetary amount in a currency other than sterling, at any time for the determination thereof, the amount of sterling obtained by converting such foreign currency involved in such computation into sterling at the spot rate for the purchase of sterling with the applicable foreign currency as published under *"Currency Rates"* in the section of *The Financial Times* entitled *"Currencies, Bonds & Interest Rates"* on the date two Business Days prior to such determination.

*"Structure Event"* means (1) the registration of a Domination Agreement; (2) the completion of any Squeeze Out followed by the completion of the German Company Conversion; or (3) the completion of any other corporate reorganization relating to CinemaxX having the effect of resulting in the disapplication of the restrictions imposed by sections 57 and 71a of the German Corporate Act (*Aktiengesetz*, *AktG*).

*"Subordinated Shareholder Debt"* means, collectively, any debt provided to the Company by any direct or indirect parent of the Company or any Permitted Holder or Related Party, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Debt; *provided* that such Subordinated Shareholder Debt:

- (1) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of any such security or instrument for Equity Interests of the Company (other than Disqualified Stock) or for any other security or instrument meeting the requirements of the definition);
- (2) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the Stated Maturity of the Notes;

- (3) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers on its shareholders any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Notes;
- (4) is not secured by a Lien on any assets of the Company or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Company;
- (5) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Company at least to the same extent as the Subordinated Liabilities (as defined in the Intercreditor Agreement) are subordinated to the Notes under the Intercreditor Agreement and such lenders have acceded to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as "Subordinated Creditors";
- (6) has been granted as security for the Notes by the obligor thereunder;
- (7) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Company with its obligations under the Notes and the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents or any Credit Facility;
- (8) does not (including upon the happening of an event) constitute Voting Stock; and
- (9) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock (other than Disqualified Stock) of the Company,

*provided, however*, that any event or circumstance that results in such Indebtedness ceasing to qualify as Subordinated Shareholder Debt, such Indebtedness shall constitute an incurrence of such Indebtedness by the Company, and any and all Restricted Payments made through the use of the net proceeds from the incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt; for the avoidance of doubt, as of the Issue Date the German Trapped Cash Equity Bridge Loan and the Shareholder Loans will be deemed to be Subordinated Shareholder Debt for the purposes of this definition and the Indenture.

*"Subsidiary"* means, with respect to any specified Person:

- (1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and
- (2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

*"Tax"* means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other additions thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax). *"Taxes"* and *"Taxation"* shall be construed to have corresponding meanings.

*"Total Assets"* means the consolidated total assets of the Company and its Restricted Subsidiaries calculated in accordance with UK GAAP, as shown on the most recent balance sheet of the Company for which internal financial statements are available (excluding the notes thereto).

*"Transactions"* shall have the meaning as defined in the Offering Memorandum under the caption "Transactions."

*"UK GAAP"* means generally accepted accounting principles applicable in the United Kingdom, consistently applied, as in effect on the date of any calculation or determination required hereunder. At any time after the Issue Date, the Company may elect to establish that UK GAAP shall mean UK GAAP as in effect on or prior to the date of such election, *provided* that any such election, once made, shall be irrevocable. At any time after the Issue Date, the Company may elect to apply IFRS for all purposes of the Indenture in lieu of UK GAAP and, upon such election, references herein to UK GAAP shall thereafter be construed to mean IFRS as in effect from time to time; *provided* that any such election, once made, shall be irrevocable and that upon first reporting its fiscal year results under IFRS, it shall restate its financial statements on the basis of IFRS for the fiscal year ending immediately prior to the first fiscal year for which financial statements have been prepared on the basis of UK GAAP. The Company shall give notice of any such election to the Trustee. For the avoidance of doubt, the making of an election referred to in this definition will not be treated as resulting in an incurrence of Indebtedness.

*"U.K. Government Securities"* means direct obligations of, or obligations guaranteed by, the United Kingdom, and the payment for which the United Kingdom pledges its full faith and credit.

*"U.S. Exchange Act"* means the U.S. Securities-Exchange Act of 1934, as amended.

*"Unrestricted Subsidiary"* means any Subsidiary of the Company that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors but only to the extent that such Subsidiary:

- (1) has no Indebtedness other than Non-Recourse Debt;
- (2) except as permitted by the covenant described under the caption "*— Certain Covenants — Transactions with Affiliates*," is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company; and
- (3) is a Person with respect to which neither the Company nor any Restricted Subsidiary has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

*"Voting Stock"* of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

*"Vue Acquisition Agreement"* means the Sale and Purchase Agreement dated as of June 9, 2013 among others, the Company and Vougeot Holdco Limited as purchasers, the DH Seller and D H P Alpha S.à r.l, the Executive Managers and Other Seller (each as defined therein) certain other senior management, as sellers, and Vue Entertainment International Limited for the acquisition of the entire issued share capital of Vue Entertainment International Limited by the Company and Vougeot Holdco Limited.

*"Warner Village Counter-Indemnity"* means (i) the Deed of Undertaking and Indemnity dated May, 13 2003, and entered into by, among others, the Subordinated Creditors, Vue Entertainment Holdings (UK) Limited and its subsidiaries as amended from time to time and (ii) the Deed of Indemnity dated June 20, 2006 between Vue Entertainment Investment Limited and the Subordinated Creditors as amended from time to time.

*"Warner Village Intercreditor Agreement"* means the Intercreditor Agreement, dated on July 18, 2013, made between, among others, the Security Agent, the Trustee Time Warner Entertainment Limited and VC Eye Pty Limited (formerly known as "Village Cinemas International PTY Limited"), as amended, restated or otherwise modified or varied from time to time.

*"Weighted Average Life to Maturity"* means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
- (2) the then outstanding principal amounts of such Indebtedness.

## BOOK-ENTRY, DELIVERY AND FORM

### General

The Additional Notes sold to qualified institutional buyers in reliance on Rule 144A will initially be represented by a global note in registered form without interest coupons attached (the “Rule 144A Global Note”). The Additional Notes sold outside the United States in reliance on Regulation S will initially be represented by a global note in registered form without interest coupons attached (the “Regulation S Global Note” and, together with the Rule 144A Global Note, the “Global Notes”). The Global Notes will be deposited, on the closing date, with, or on behalf of, a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Except as set forth below, the Additional Notes will be issued in registered global form in minimum denominations of €100,000 and integral multiples of €1,000 thereof (in the case of the Floating Rate Notes).

Ownership of interests in the Rule 144A Global Note (the “Rule 144A Book-Entry Interests”) and ownership of interests in the Regulation S Global Note (the “Regulation S Book-Entry Interests”) and, together with the Rule 144A Book-Entry Interests, the “Book-Entry Interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, Book-Entry Interests will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Additional Notes are in global form, holders of Book-Entry Interests will not be considered the owners or “holders” of Additional Notes for any purpose.

So long as the Additional Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominees), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Additional Notes under the Indenture.

None of us, the Paying Agent, the Transfer Agent, the Registrar, the Calculation Agent or the Trustee will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

### Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive definitive registered Additional Notes in certificated form (“Definitive Registered Notes”) only:

- (1) if either Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or
- (2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Indenture and enforcement action is being taken in respect thereof under the Indenture.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or us, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, we, the Trustee, the Paying Agent, the Transfer Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Additional Notes.



We will not impose any fees or other charges in respect of the Additional Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

### **Redemption of the Global Notes**

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Additional Notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate (including the pool factor); provided, however, that no Book-Entry Interest of less than €100,000 principal amount may be redeemed in part.

### **Payments on Global Notes**

We will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and Additional Amounts, if any) to the Paying Agent for onward payment to Euroclear and Clearstream which will distribute such payments to participants in accordance with their customary procedures. We will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes — Additional Amounts.*" If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes — Additional Amounts*" we will pay Additional Amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, we, the Trustee, the Registrar, the Transfer Agent and the Paying Agents will treat the registered holders of the Global Notes (i.e., the common depository for Euroclear or Clearstream (or its nominee)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of us, the Trustee, the Paying Agent, the Transfer Agent, the Registrar or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by Euroclear or Clearstream or any participant or indirect participant or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- any other matters relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant; or
- the records of the common depository.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

### **Currency of Payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests to such Additional Notes through Euroclear or Clearstream in euros.

### **Action by Owners of Book-Entry Interests**

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Additional Notes (including the presentation of Additional Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global



Notes are credited and only in respect of such portion of the aggregate principal amount of Additional 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 Additional Notes, Euroclear and Clearstream, at the request of the holders of the Additional Notes, reserve the right to exchange the Global Notes for Definitive Registered Notes and to distribute such Definitive Registered Notes to their participants.

## Transfers

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of Additional Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Additional Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Additional Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear a legend to the effect set forth under "*Transfer Restrictions*." Book Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*."

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A 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 Notes — Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Additional Notes. See "*Transfer Restrictions*."

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

## Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. We have provided the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither we nor the Initial Purchaser are responsible for those operations or procedures.

We understand as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded

securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

### **Global Clearance and Settlement under the Book-Entry System**

The Additional Notes represented by the Global Notes are expected to be listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market thereof. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, any Guarantor, the Initial Purchaser, the Trustee, the Transfer Agent, the Registrar, the Calculation Agent or the Paying Agent will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### **Initial Settlement**

Initial settlement for the Additional Notes will be made in euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream 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 and 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.

## CERTAIN TAX CONSIDERATIONS

*Prospective purchasers of the Additional Notes are advised to consult their own tax advisors as to the tax consequences, under the tax laws of the country in which they are resident, of a purchase of Additional Notes including, without limitation, the consequences of receipt of interest and premium, if any, on and sale or redemption of, the Additional Notes or any interest therein.*

*References in this discussion to Additional Notes acquired, owned, held or disposed of by noteholders include, except where otherwise expressly stated, the Book-Entry Interests held by purchasers in the Additional Notes in global form deposited with, and registered in the name of the nominee for, the common depositary for Euroclear and/or Clearstream.*

### United Kingdom Taxation

**The following applies only to persons who are the beneficial owners of Notes and is a summary of the Company's understanding of current United Kingdom law and published HM Revenue and Customs practice relating only to the United Kingdom withholding tax treatment of payments of interest in respect of Notes and the United Kingdom stamp duty and stamp duty reserve tax ("SDRT") consequences on the issuer or transfer of the Notes. The following is not exhaustive and does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective noteholders depends on their individual circumstances and may be subject to change in the future. Prospective noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.**

#### ***Payment of interest on the Notes***

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes continue to be listed on a "recognized stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "Act"). The Irish Stock Exchange is a recognized stock exchange. The Notes will satisfy this requirement if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Global Exchange Market of the Irish Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HM Revenue and Customs ("HMRC") has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20%). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a noteholder, HMRC can issue a notice to the Issuer to pay interest to the noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

If a Guarantor makes any payment in respect of interest on the Notes (or in respect of other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) such payments may be subject to withholding on account of United Kingdom tax, subject to such relief as may be available under the provisions of any applicable double tax treaty or any other relief that may apply. Such payments by a Guarantor may not, however, be eligible for the exemptions from the obligation to withhold tax described in the paragraphs above.

Any premium payable on redemption may be treated as a payment of interest for United Kingdom tax purposes and may accordingly be subject to the withholding tax treatment described above.

Interest on the Notes that constitutes United Kingdom source income for tax purposes may be subject to United Kingdom tax by direct assessment even where paid without withholding, subject to exceptions

applying to various categories of investors (including, in particular, exceptions applying to persons not resident in the United Kingdom).

HMRC has powers, in certain circumstances, to obtain information about: payments derived from securities (whether income or capital); certain payments of interest (including the amount payable on the redemption of a deeply discounted security); and securities transactions.

The persons from whom HMRC can obtain information include: a person who receives (or is entitled to receive) a payment derived from securities; a person who makes such a payment (received from, or paid on behalf of another person); a person by or through whom interest is paid or credited; a person who effects or is a party to securities transactions (which includes an issue of securities) on behalf of others; registrars or administrators in respect of securities transactions; and each registered or inscribed holder of securities.

The information HMRC can obtain includes: details of the beneficial owner of securities; details of the person for whom the securities are held, or the person to whom the payment is to be made (and, if more than one, their respective interests); information and documents relating to securities transactions; and, in relation to interest paid or credited on money received or retained in the United Kingdom, the identity of the security under which interest is paid. HMRC is generally not able to obtain information (under its power relating solely to interest) about a payment of interest to (or a receipt for) a person that is not an individual. This limitation does not apply to HMRC's power to obtain information about payments derived from securities.

HMRC has indicated that it will not use its information-gathering power on interest to obtain information about amounts payable on the redemption of deeply discounted securities which are paid before April 6, 2015.

In certain circumstances the information which HMRC has obtained using these powers may be exchanged with tax authorities in other jurisdictions.

### ***Stamp Duty and Stamp Duty Reserve Tax ("SDRT")***

No United Kingdom stamp duty or SDRT is payable on the issue of the Notes or on a transfer of the Notes.

### **EU Savings Directive**

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On March 24, 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from January 1, 2017. The change will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. During that transitional period, withholding will not apply under the Directive to a payment if the beneficial owners of the payment authorizes exchange of information instead. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favor of automatic information exchange under the Directive.

### **United States Taxation**

The following is a summary of certain U.S. federal income tax considerations relevant to U.S. Holders and Non-U.S. Holders (each as defined below) acquiring, holding and disposing of Additional Notes. This summary addresses only the U.S. federal income tax considerations for persons who purchase the Additional Notes for cash at the price set forth on the cover page hereof and that will hold the Additional Notes as capital

assets (generally, property held for investment). This summary is based on the U.S. Internal Revenue Code of 1986 (the "Code"), final, temporary and proposed U.S. Treasury regulations, administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect. No rulings from the Internal Revenue Service ("IRS") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Additional Notes or that any such position would not be sustained.

This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organizations; (vii) partnerships, pass-through entities, or persons that hold Additional Notes through pass-through entities; (viii) investors that hold Additional Notes as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes; (ix) U.S. Holders that have a functional currency other than the U.S. dollar; and (x) U.S. expatriates and former long-term residents of the United States, all of whom may be subject to tax rules that differ significantly from those summarized below. This summary does not address U.S. federal estate, gift, alternative minimum tax considerations or the Medicare tax on net investment income, or non-U.S., state or local tax considerations.

For the purposes of this summary, a "U.S. Holder" is a beneficial owner of Additional Notes that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organized under the laws of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source or (iv) a trust (1) the administration of which is subject to the primary supervision of a U.S. court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (2) that has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes. A "Non-U.S. Holder" is a beneficial owner of Additional Notes that is not a U.S. Holder or a partnership for U.S. federal income tax purposes.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes is an owner of Additional Notes, the treatment of a partner in the partnership generally will depend on the status of the partner and upon the activities of the partnership. Partnerships holding Additional Notes and the partners therein should consult their tax advisors regarding the tax consequences to them of acquiring, holding and disposing of the Additional Notes.

## **U.S. Holders**

### *Payments of Interest*

Except as described below with respect to original issue discount, payments of stated interest on an Additional Note (without reduction for any amounts withheld and including payments of any Additional Amounts) will be taxable to a U.S. Holder as ordinary income at the time such payment is received or accrued, in accordance with the holder's method of accounting for tax purposes. The amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, if a payment of interest is received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or other disposition of an Additional Note) denominated in a foreign currency, an accrual basis



U.S. Holder will recognize exchange gain or loss (generally taxable as U.S. source ordinary income or loss) equal to the difference, if any, between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued (as determined above), regardless of whether the payment is in fact converted into U.S. dollars.

Stated interest paid by the Issuer on the Additional Notes (without reduction for any amounts withheld), original issue discount (as discussed below) accrued with respect to the Additional Notes, if any, and payments of any Additional Amounts will generally constitute passive category income from sources outside the United States under the rules regarding the U.S. foreign tax credit allowable to a U.S. Holder (and the limitations imposed thereon). The rules governing U.S. foreign tax credits are complex, and U.S. Holders should consult their own tax advisors regarding the availability of U.S. foreign tax credits in their particular circumstances.

#### *Original Issue Discount*

Because the issue price of the Additional Notes is less than its principal amount by more than a de minimis amount, U.S. Holders will be subject to special U.S. federal income tax rules with respect to this original issue discount ("OID"). OID is considered to be de minimis if it is less than 0.25% of the principal amount multiplied by the number of complete years to maturity. The "issue price" of the Additional Notes will be the first price at which a substantial amount of such Additional Notes are first sold to persons other than bondhouses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The "stated redemption price at maturity" of an Additional Note is the total of all payments provided by the Additional Note that are not payments of "qualified stated interest." Stated interest on the Additional Notes will constitute qualified stated interest.

U.S. Holders of Additional Notes will be required to include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and will generally have to include in income increasingly greater amounts of OID over the life of the Additional Notes. The amount of OID that will be included in income by a U.S. Holder is the sum of the daily portions of OID with respect to the Additional Note for each day during the taxable year or portion of the taxable year in which the U.S. Holder holds the Additional Note. The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to an Additional Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Additional Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Additional Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Additional Note's adjusted issue price at the beginning of the accrual period and the Additional Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Additional Note allocable to the accrual period. The adjusted issue price of an Additional Note at the beginning of any accrual period is the issue price of the Additional Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Additional Note that were not qualified stated interest payments. For purposes of determining OID accruals and adjusted issue price only, the amounts of stated interest and OID are determined by assuming that the interest rate on the Additional Notes is a fixed rate based on the value of the floating rate applicable to the Additional Notes as of the issue date.

OID will be determined for any accrual period in foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder. In such event, upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or disposition of such Additional Note), a U.S. Holder of such Additional Note would recognize foreign currency gain or loss in an amount determined in the same manner as interest income received by a U.S. Holder on the accrual basis, as described above. Foreign currency gain or loss generally would be treated as ordinary income or loss and generally will not be treated as an adjustment to interest income or expense.

#### *Pre-Issuance Accrued Interest*

On the first interest payment date following the date of issue of the Additional Notes, Holders of the Additional Notes will be entitled to receive interest that has "accrued" as of October 15, 2014 ("pre-issuance accrued interest"). A U.S. Holder may elect to exclude pre-issuance accrued interest, if any, from the price of an Additional Note. In that event, a portion of the first interest payment will be treated as a non-taxable return of the pre-issuance accrued interest (except that a U.S. Holder generally would be required to



recognize exchange gain or loss, as discussed above, in an amount equal to the difference, if any, between the U.S. dollar value of the pre-issuance accrued interest at the time of purchase and at the time the payment of such pre-issuance accrued interest is received, as determined at the spot rate in effect on each such date) and will reduce the U.S. Holder's adjusted tax basis in the applicable Additional Note by a corresponding amount. If a U.S. Holder does not make this election, the U.S. federal income tax treatment of any pre-issuance accrued interest is not entirely clear. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax treatment of any pre-issuance accrued interest.

#### *Sale or Other Disposition of Additional Notes*

Generally, upon the sale, exchange, redemption or other taxable disposition of an Additional Note, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or other taxable disposition (less any amount attributable to accrued but unpaid interest not previously included in income, which will be taxable as such) and such U.S. Holder's adjusted tax basis in the Additional Note. The amount realized by a U.S. Holder shall not include pre-issuance accrued interest, if any, that is excluded from the purchase price of an Additional Note. A U.S. Holder's adjusted tax basis in an Additional Note will generally equal the cost of such Additional Note to such U.S. Holder (excluding any amount attributable to pre-issuance accrued interest, if any, that is excluded from the purchase price of an Additional Note), increased by the amount of OID previously included in the U.S. Holder's income with respect to the Additional Note, reduced by the amount of any payments made with respect to the Additional Note that are not qualified stated interest payments. A U.S. Holder's tax basis in an Additional Note will be determined by reference to the U.S. dollar cost of the Additional Note. The U.S. dollar cost of an Additional Note purchased with a foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase.

Except to the extent attributable to accrued but unpaid interest or changes in exchange rates, gain or loss recognized on the sale or other disposition of an Additional Note will generally be capital gain or loss and will be long term capital gain or loss if at the time of sale or other disposition the Additional Note has been held by such U.S. Holder for more than one year, and will generally be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation. Therefore, a U.S. Holder may have insufficient foreign source income to utilize foreign tax credits attributable to foreign withholding taxes, if any, imposed on the sale or other disposition. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale or retirement of Additional Notes. The amount realized on a sale or other disposition for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or other disposition or, in the case of Additional Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, if sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal U.S. federal income tax rate applicable to long term capital gains is currently lower than the maximum marginal rate applicable to ordinary income. The deductibility of capital losses is subject to significant limitations.

Gain or loss recognized by a U.S. Holder on the sale or other disposition of an Additional Note that is attributable to changes in exchange rates will generally be treated as U.S. source ordinary income or loss. Gain or loss attributable to changes in exchange rates generally will equal the difference, if any, between the U.S. dollar value of the U.S. Holder's foreign currency purchase price for the Additional Note, determined at the spot rate on the date the U.S. Holder disposes of the Additional Note (or on the settlement date, if the Additional Notes are then traded on an established securities market and the holder is either a cash basis U.S. Holder or an electing accrual basis U.S. Holder) and the U.S. dollar value of the U.S. Holder's purchase price for the Additional Note, determined at the spot rate on the date the U.S. Holder purchased such Additional Note. In addition, upon the sale, exchange, redemption, retirement or other taxable disposition of an Additional Note, a U.S. Holder may realize exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest, and accrued OID, which will be treated as discussed above under "*Payments of Interest.*" However, exchange gain or loss (including with respect to accrued interest, and accrued OID) is taken into account only to the extent of total gain or loss realized on the transaction.

#### **Non-U.S. Holders**

A Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any payments on the Additional Notes and gain from the sale, redemption or other disposition of the Additional Notes unless: (i) that payment and/or gain is effectively connected with the conduct by that Non-U.S. Holder

of a trade or business in the United States (and, if an income tax treaty requires, such items are attributable to the conduct of a trade or business through a permanent establishment or fixed base in the United States) or (ii) in the case of any gain realized on the sale, redemption or other disposition of an Additional Note by an individual Non-U.S. Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale, redemption or other disposition and certain other conditions are met.

### ***Backup Withholding and Information Reporting***

In general, payments of principal and interest and accrued OID on, and the proceeds of a sale, redemption or other disposition of, the Additional Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with the applicable backup withholding requirements. Certain U.S. Holders are not subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder generally may be refunded or claimed as a credit against such U.S. Holder's U.S. federal income tax liability, provided that the required information is furnished to the IRS. Prospective investors in the Additional Notes should consult their own tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Certain U.S. Holders that own "specified foreign financial assets" that meet certain U.S. dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns. The Additional Notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the Additional Notes are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisors regarding the application of these disclosure requirements to their ownership of the Additional Notes. In general, payments of principal and interest on, and accrued OID, and the proceeds of a sale, redemption or other disposition of, the Additional Notes, payable to a Non-U.S. Holder by a U.S. paying agent or other U.S. intermediary will not be subject to backup withholding tax and information reporting requirements if an appropriate certification (IRS Form W-8BEN, W-8BEN-E or other appropriate form) is provided by the Non-U.S. Holder to the payor and the payor does not have actual knowledge that the certificate is false.

### ***Disclosure Requirements***

U.S. Treasury regulations meant to require the reporting of certain tax shelter transactions ("Reportable Transactions") could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury regulations, certain transactions with respect to the Additional Notes may be characterized as Reportable Transactions including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of an Additional Note. Persons considering the purchase of Additional Notes should consult with their tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

### ***German Taxation***

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes (e.g., tax considerations concerning non-resident holders presenting Notes for an over-the-counter payment (*Tafelgeschäft*) to a German Disbursing Agent (as defined below)), and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this offering memorandum, which are subject to change, possibly with retroactive or retrospective effect.

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the Notes, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

## **Taxation of Current Income and Capital Gains**

### **Tax Residents**

This subsection “*Tax Residents*” refers to persons who are tax residents of Germany (i.e., persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Income derived from capital investments under the Notes as well as capital gains (which include currency gains and losses, if any) from the disposal, redemption, repayment or assignment of the Notes held by an individual holder who is tax resident in Germany are in general subject to German income tax at a flat-tax rate of 25% (plus solidarity surcharge and, where applicable, church tax thereon) (*Abgeltungsteuer*) if the Notes are held as private investment (*Privatvermögen*). Individual holders who are tax resident in Germany are entitled to a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples filing jointly); actually incurred higher expenses directly attributable to a capital investment are not deductible.

The personal income tax liability of an individual holder who is tax resident in Germany on income from capital investments under the Notes will, in principle, be settled by the tax withheld (as described under section “*Withholding Tax*” below). To the extent withholding tax has not been levied, such as in the case of Notes kept in custody abroad or, if no Disbursing Agent is involved in the payment process, the individual holder must include his or her income and capital gains derived from the Notes in his or her annual tax return and will then also be taxed at a rate of 25% (plus solidarity surcharge and, where applicable, church tax thereon). Further, an individual holder may apply for a taxation of all investment income of a given year at his or her lower individual tax rate based upon an assessment to tax with any amounts over-withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemized basis is not permitted.

Losses incurred with respect to the Notes can only be offset with investment income of the individual holder realized in the same or following years. Pursuant to a tax decree issued by the German Federal Ministry of Finance dated October 9, 2012 losses from bad debts (*Forderungsausfall*) or a waiver of a receivable (*Forderungsverzicht*) to the extent the waiver does not qualify as a hidden capital contribution shall not be treated as a disposal. Accordingly, losses incurred from bad debts and waivers shall not be tax-deductible if the Notes are held as private investment (*Privatvermögen*). The same rules should be applicable according to the said tax decree, if the Notes expire worthless so that losses may not be tax-deductible at all. Losses suffered in a sale of Notes will only be recognized according to the view of the tax authorities, if the proceeds received in the sale exceed the respective transaction costs.

Where Notes form part of a trade or business of an individual or corporate holder or the income from the Notes qualifies as income from the letting and leasing of property, the withholding tax, if any, will not settle the personal or corporate income tax liability. Rather, the income is subject to individual or corporate income tax (plus solidarity surcharge and, where applicable, church tax). Where Notes form part of a trade or business, interest (paid or accrued) must be taken into account as income. The respective holder will have to include income and related (business) expenses in the annual tax return and the balance will be taxed at the holder’s applicable tax rate. Withholding tax levied, if any, will be credited as advance payment against the personal or corporate income tax liability of the holder or, to the extent exceeding this personal or corporate income tax liability, will be refunded. Where Notes form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax. The trade tax liability depends on the municipal trade tax factor (*Gewerbesteuerhebesatz*). If the holder is an individual or an individual partner of a partnership, the trade tax may generally be completely or partly credited against the personal income tax pursuant to a lump sum tax credit method.

### **Non-Tax Residents**

Interest, including accrued interest, and capital gains (which include currency gains and losses, if any) from the disposal, redemption, repayment or assignment of the Notes received by holders who are not tax-resident in Germany (i.e., holders whose residence, habitual abode, statutory seat and place of effective management and control is not located in Germany) are generally not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder or (ii) the income otherwise constitutes German source income. Among other things, interest payments under the Notes would be considered German-source income if the Notes were secured by German real estate, unless the Notes (x) are registered in

a public debt register (*öffentliches Schuldbuch*), (y) a global note (*Sammelurkunde*) has been issued to evidence the Notes, or (z) qualify as fungible notes representing the same issue (*Teilschuldverschreibungen*) for German tax purposes. In cases (i) and (ii) above a tax regime similar to that explained above under subsection “— *Tax Residents*” applies save that a deduction of expenses incurred by the non-resident Noteholder may be limited to €801 even if the Notes form part of a trade or business. Subject to certain requirements a holder who is not tax-resident in Germany may benefit from tax reductions or tax exemptions provided by an applicable tax treaty.

### **Withholding Tax**

Ongoing payments received by an individual holder of the Notes who is a German tax resident will be subject to German withholding tax if the Notes are kept or administered in a custodial account with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a “Disbursing Agent,” *auszahlende Stelle*). The tax rate is 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%). Individuals subject to church tax may apply in writing for church tax to be levied by way of withholding also. Absent such application, such individuals have to include their investment income in their income tax return and will then be assessed to church tax. For Disbursing Agents, an electronic information system for church withholding tax purposes will apply in relation to investment income received after December 31, 2014, with the effect that church tax will be collected by the Disbursing Agent by way of withholding, unless the holders has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the holders will be assessed to church tax.

The same treatment applies to capital gains (i.e., the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition, taking into account currency gains and losses, if any) derived by an individual holder who is a German resident irrespective of any holding period, provided the Notes have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. If interest coupons or interest claims are disposed of separately (i.e., without the Notes), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the sale or redemption of interest coupons or interest claims if the Notes have been disposed of separately.

To the extent the Notes have not been kept in a custodial account with the same Disbursing Agent since the time of their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%, plus church tax, if applicable) on 30% of the disposal proceeds (plus interest accrued on the Notes (*Stückzinsen*), if any), unless the Disbursing Agent has been provided with evidence of the actual acquisition costs of the Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Economic Area or certain other countries in accordance with Art. 17 para. 2 of the Council Directive 2003/48/EC dated June 3, 2003 on the Taxation of Savings Income in the form of interest payments (the “EU Savings Tax Directive”) (e.g., Switzerland or Andorra). If the withholding tax on a disposal, redemption, repayment or assignment of the Notes has been calculated on the basis of 30% of the disposal proceeds (rather than from the actual gain), a German tax resident individual holder may and in case the actual gain is higher than 30% of the disposal proceeds must also apply for an assessment on the basis of his or her actual acquisition costs.

In computing any German withholding tax, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realized by the individual holder of the Notes via the Disbursing Agent (e.g., losses from the sale of other securities with the exception of shares). The Disbursing Agent may also deduct accrued interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual holder in the custodial account with the Disbursing Agent.

Upon the individual holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples filing jointly) into account when computing the amount of tax to be withheld from the gross payment to be made by the Disbursing Agent. No withholding tax will be deducted if the holder of the Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent local tax office.

German withholding tax will generally not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporate holder who is a German resident (including via a commercial partnership, as the case may be, and provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax office) while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and losses incurred). The same may apply where the Notes form part of a trade or business (of an individual or of a commercial partnership) subject to further requirements being met.

Non-residents of Germany are, in general, not subject to German withholding tax on investment income and the solidarity surcharge thereon. However, where the investment income is subject to German taxation (as described above under subsection “— *Non-Tax Residents*”) and the Notes are held in a custodial account with a Disbursing Agent, withholding tax will be levied under certain circumstances. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty.

### ***Inheritance and Gift Tax***

A gratuitous transfer of Notes by reason of death or as a gift will be subject to German inheritance or gift tax if the decedent or donor or the heir, donee or other beneficiary is at the time of the transfer a resident or deemed to be a resident of Germany. If neither the holder nor the recipient is a resident or deemed to be a resident of Germany at the time of the transfer, no German inheritance or gift taxes will be levied unless the Notes are attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed in Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

### ***Other Taxes***

No stamp, issue or registration taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax is not levied in Germany. Holders of the Notes should clarify themselves (or with their tax advisors) whether church tax is payable as set out above.

The European Commission and certain EU member states (including Germany) are currently intending to introduce a financial transaction tax (“FTT”) (presumably on secondary market transactions involving at least one financial intermediary). It is currently proposed that the FTT should be introduced in the participating EU member states on January 1, 2016. If the FTT is introduced, transfers of Notes in which a financial intermediary established or deemed established in a participating member state is involved may be subject to FTT at a rate that will be determined separately by each participating member state.

### ***EU Savings Directive***

By legislative regulations dated January 26, 2004, the German Federal Government enacted provisions implementing the information exchange on the basis of EU Savings Directive.

### ***Polish Taxation***

#### ***Payments under the guarantee to taxpayers subject to limited tax liability in Poland***

Income taxes in Poland are imposed on income of all individuals and corporate bodies. The Polish tax system differentiates unlimited and limited tax liability. Unlimited tax liability means that the taxpayers are subject to taxation in Poland on their entire worldwide income (revenue). Limited tax liability applies to individuals whose place of residence does not lie within the territory of Poland (i.e. individuals who (i) do not have the center of their personal or business interests in Poland, and (ii) do not spend more than 183 days during a fiscal year — being a calendar year — in Poland), as well as corporate income tax payers whose registered office and management are located outside the territory of Poland. Those taxpayers are subject to tax liability only in respect of their income earned within the territory of Poland (from Polish sources of income).

Polish tax law provides for withholding tax on payments made to individuals and corporate income tax payers subject to limited tax liability in Poland only with respect to a number of specific types of payments (the “Withholdable Payments”), including interest on securities. Polish withholding agent (an entity making payment of interest on securities) shall calculate, deduct and pay to the tax office Polish withholding tax of 19% upon the payment of interest to individual. The same obligation applies with respect to interest payments made to a corporate income tax payer subject to limited tax liability in Poland; however, in such

case the withholding tax rate amounts to 20%. A lower withholding tax rate of full exemption may apply, for example, under the relevant double tax treaty.

Rules for taxation of payments made by Polish entities under guarantees are imprecise. Withholdable Payments do not expressly include payments made by a guarantor under its obligation resulting from the guarantee. However, payments made by the Polish Guarantors under the Guarantee constitute a fulfilment of the liabilities of the Issuer to the investors under the Notes. Therefore, if a payment from a Polish Guarantor covers the payment of one or more Withholdable Payments, it should be treated in the same way as a payment of the Withholdable Payment(s). Consequently, if the Polish Guarantor makes a payment which covers interest, the Polish tax authorities may consider that the part of the payment which relates to the interest is subject to Polish withholding tax as described above.

On the other hand, Polish tax authorities may also classify the payments made by the Polish Guarantors under the Guarantee as constituting, for Polish tax purposes, an independent type of income e.g., "income from other sources". In case of such reclassification of payments made by the Polish Guarantors to individuals or corporate income tax payers subject to limited tax liability in Poland, their income would not be taxable in Poland provided that they are resident in a treaty country, i.e., a country with which Poland has concluded a double tax treaty.



## CERTAIN ERISA CONSIDERATIONS

Unless otherwise provided in any supplement to this offering memorandum, the Notes should be eligible for purchase by employee benefit plans and other plans subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and/or the provisions of Section 4975 of the Code and by governmental, church and non-U.S. plans that are subject to state, local, other federal law of the United States or non-U.S. law that is substantially similar to ERISA or the Code ("Similar Law") subject to consideration of the issues described in this section. ERISA imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under "*Risk Factors*."

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, the "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person, including a Plan fiduciary, who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The Issuer, the Guarantors, the Trustee, the Paying Agent, the Transfer Agent, the Registrar, the Initial Purchaser or any other party to the transactions referred to in this offering memorandum may be parties in interest or disqualified persons with respect to many Plans. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Notes is acquired or held by a Plan, including but not limited to where the Issuer, the Guarantors, the Trustee, the Paying Agent, the Transfer Agent, the Registrar, the Initial Purchaser or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any Notes and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption ("PTCE") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisors regarding the prohibited transaction rules and these exceptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Notes.

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

In addition, the U.S. Department of Labor has promulgated a regulation, 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the "Plan Asset Regulation"), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA, and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an equity interest of an entity that is neither a publicly-offered security nor a security issued by an investment company registered under the United States Investment Company Act of

1940, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless one of the exceptions to such treatment described in the Plan Asset Regulation applies. Under the Plan Asset Regulation, a security which is in the form of debt may be considered an equity interest if it has substantial equity features. If the Group was deemed under the Plan Asset Regulation to hold plan assets (as defined in Section 3(42) of ERISA or any applicable Similar Law, "Plan Assets") by reason of a Plan's investment in any of the Notes, such Plan Assets would include an undivided interest in the assets held by the Group and transactions by the Group would be subject to the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of ERISA and Section 4975 of the Code. The Plan Asset Regulation provides, however, that if equity participation in any entity by "Benefit Plan Investors" is not significant, then the "look-through" rule will not apply to such entity. The term "Benefit Plan Investors" is defined in the Plan Asset Regulation to include (1) any employee benefit plan (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, (2) any plan described in Section 4975(e)(1) of the Code, and (3) any entity whose underlying assets include Plan Assets by reason of any such employee benefit plan or plan's investment in the entity. Equity participation by Benefit Plan Investors in any entity is significant if, immediately after the most recent acquisition of any equity interest in the entity, 25% or more of the value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, exercising control over the assets of the entity or providing investment advice to the entity for a fee or any affiliates of such persons) is held by Benefit Plan Investors. If, as a result of any investment, 25% or more of the value of any class of equity interests in the Issuer is being held by Benefit Plan Investors, the applicable Notes may be redeemed by the Issuer. While there is little pertinent authority in this area and no assurance can be given, the Issuer believes that the Notes should not be treated as equity interests for the purposes of the Plan Asset Regulation and, therefore, the Plan Asset Regulation should not apply and any such redemptions would not be necessary.

Accordingly, except as otherwise provided in any supplement to this offering memorandum, each purchaser and subsequent transferee of any Notes will represent and warrant, on each day from the date on which the purchaser or transferee acquires such Notes (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Notes (or any interest therein), either that (a) it is not a Plan or any entity whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, Plan Assets or a governmental, church or non-U.S. plan which is subject to any Similar Law or (b) its acquisition, holding and disposition of such Notes (or any interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan subject to Similar Law, a violation of any Similar Law) for which an exemption is not available.

Each Plan fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the Notes should determine whether, under the documents and instruments governing the Plan, an investment in such Notes is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio. Any Plan proposing to invest in such Notes (including any governmental, church or non-U.S. plan) should consult with its counsel to confirm that such investment will not constitute or result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any Similar Law).

The sale of any Notes to a Plan is in no respect a representation by the Issuer, the Guarantors, the Trustee, the Paying Agent, the Transfer Agent, the Registrar, the Initial Purchaser or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

Any further ERISA considerations with respect to the Notes may be found in the relevant supplement.

## PLAN OF DISTRIBUTION

We have agreed to sell to the Initial Purchaser, and the Initial Purchaser has agreed to purchase from us, the entire principal amount of the Additional Notes.

The Purchase Agreement provides that the obligations of the Initial Purchaser to pay for and accept delivery of the Additional Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel.

The Initial Purchaser proposes to offer the Additional Notes initially at the price indicated on the cover page hereof. After the initial offering, the offering price and other selling terms of the Additional Notes may from time to time be varied by the Initial Purchaser without notice.

Persons who purchase Additional Notes from the Initial Purchaser may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof. Sale of the Additional Notes may be made through affiliates of the Initial Purchaser or through registered broker-dealers.

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchaser against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchaser may be required to make in respect thereof. We 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 debt securities of, or guaranteed by, us that are substantially similar to the Additional Notes during the period from the date of the Purchase Agreement through and including the date 90 days after the date of the Purchase Agreement.

The Additional Notes and Guarantees have not been and will not be registered under the U.S. Securities Act. The Initial Purchaser has agreed that they will only offer or sell the Additional Notes (i) in the United States to "qualified institutional buyers" in accordance with Rule 144A, and (ii) outside the United States in offshore transactions in accordance with Regulation S. Terms used in this paragraph have the meanings given to them by Rule 144A and Regulation S. Any offer or sale of the Additional 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. Until 40 days after the later of (i) the commencement of this Offering and (ii) the issue date of the Additional Notes, an offer or sale of the Additional Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Terms used in this paragraph have meanings given to them by Regulation S. Resales of the Additional Notes are restricted as described under "*Transfer Restrictions*."

The Initial Purchaser has represented, warranted and agreed with us that:

- (1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity, within the meaning of Section 21 of the FSMA, received by it in connection with the issue or sale of any Additional Notes in circumstances in which Section 21(1) of the FSMA does not apply to us, and
- (2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Additional Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchaser that would permit a public offering of the Additional Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Additional Notes in any jurisdiction where action for this purpose is required. Accordingly, the Additional Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Additional Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this offering memorandum and resale of the Additional Notes. See "*Transfer Restrictions*."

The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbor of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Additional Notes.

We will apply, through our listing agent, for the Additional Notes to be admitted to the Official List of the Irish Stock Exchange and to be admitted for trading on the Global Exchange Market thereof, however, we cannot assure you that the Additional Notes will be approved for listing or that such listing will be maintained.

The Initial Purchaser is not obligated to make a market in the Additional Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchaser without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act, we cannot assure you that any market for the Additional Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Additional Notes at a particular time or at a price which will be favorable to you. See *"Risk Factors — Risks Relating to the Notes and the Guarantees — There may be no active trading market for the Additional Notes and if one develops, it may not be liquid."*

In connection with the Offering, the Stabilizing Manager, or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Additional Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Additional Notes in the open markets to stabilize the price of the Additional Notes. The Stabilizing Manager, or persons acting on its behalf, may also over-allot the Offering, creating a syndicate short position, and may bid for and purchase Additional Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Additional Notes in market-making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Additional 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 Additional Notes. See *"Risk Factors — Risks Relating to the Notes and the Guarantees — There may be no active trading market for the Additional Notes and if one develops, it may not be liquid."*

The Initial Purchaser may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act.

The proceeds from the issuance of the Additional Notes in this Offering will be used for The Space Acquisition.

The Initial Purchaser may sell through affiliates or other appropriately licensed entities for sales of the Additional Notes in jurisdictions where they are otherwise not permitted.

The Initial Purchaser and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Company and their affiliates in the ordinary course of business. The Initial Purchaser served in a similar capacity in connection with the issuance of the Original Notes. The Initial Purchaser has provided and continues to provide bilateral loans, bank guarantees and working capital facilities to us in the ordinary course of business. The Initial Purchaser may also be acting as hedge counterparty to us. In connection therewith, such affiliates will receive customary fees and commissions.

In addition, in the ordinary course of its business activities, the Initial Purchaser and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates (including the Additional Notes). Any of Initial Purchaser or its affiliates that have a lending relationship with the Company may hedge their credit exposure to the Company consistent with their customary risk management policies. Typically, the Initial Purchaser and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities (including potentially the Notes). Any such short positions could adversely affect future trading prices of Additional Notes. The Initial Purchaser and its affiliates may also make investment recommendations and/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 and/or short positions in such securities and instruments. The Initial Purchaser will retain a portion of the Additional Notes in connection with the Offering for its own account.

## TRANSFER RESTRICTIONS

*You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Additional Notes offered hereby.*

The Additional Notes and the Guarantees thereof have not been and will not be registered under the U.S. Securities Act or any state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Additional Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and to non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S.

We have not registered and will not register the Additional Notes or the Guarantees thereof under the U.S. Securities Act and, therefore, the Additional Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, we are offering and selling the Additional Notes to the Initial Purchaser for re-offer and resale only:

- in the United States to “qualified institutional buyers,” commonly referred to as “QIBs,” as defined in Rule 144A in compliance with Rule 144A; and
- to non-U.S. persons outside the United States in offshore transactions in accordance with Regulation S.

We use the terms “non-U.S. persons,” “offshore transaction” and “United States” with the meanings given to them in Regulation S.

Each purchaser of Additional Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchaser as follows:

- (1) It understands and acknowledges that the Additional Notes and the Guarantees have not been registered under the U.S. Securities Act or any other applicable state securities laws, and that the Additional Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any state securities law, including sales pursuant to Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable state securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4), (5) and (6) below.
- (2) It is not an “affiliate” (as defined in Rule 144) of the Issuer or acting on behalf of the Issuer and it is either:
  - (i) a QIB and is aware that any sale of Additional Notes to it will be made in reliance on Rule 144A, and the acquisition of Additional Notes will be for its own account or for the account of another QIB; or
  - (ii) it is purchasing the Additional Notes in an offshore transaction in accordance with Regulation S.
- (3) It acknowledges that none of the Issuer, the Guarantors, or the Initial Purchaser, or any person representing any of them, have made any representation to it with respect to the offering or sale of any Additional Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Additional Notes. It has had access to such financial and other information concerning us, the Issuer and its subsidiaries and the Additional Notes as it has deemed necessary in connection with its decision to purchase any of the Additional Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchaser.
- (4) It is purchasing the Additional Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Additional Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.



- (5) Each holder of Additional Notes issued in reliance on Rule 144A ("Rule 144A Additional Notes") agrees on its own behalf and on behalf of any investor account for which it is purchasing the Additional Notes, and each subsequent holder of the Rule 144A Additional Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Additional Notes prior to the date (the "Resale Restriction Termination Date") that is one year after the later of the date of the Issue Date and the last date on which the Issuer or any of its affiliates was the owner of such Additional Notes (or any predecessor thereto) only (i) to the Issuer, the Guarantors or any subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Additional Notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (iv) pursuant to offers and sales to non-U.S. persons that occur outside the United States in compliance with Regulation S, or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and in compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (iii) or (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 on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Additional Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF, (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A ("RULE 144A") UNDER THE U.S. SECURITIES ACT OR (B) IT IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" TO A PERSON WHO IS NOT A U.S. PERSON WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE NOTES REPRESENTED HEREBY IN RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE, (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, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES



WITHIN ITS OR THEIR CONTROL AND 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 (C) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE; AND AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

BY ITS ACQUISITION HEREOF, THE HOLDER REPRESENTS THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THE NOTE REPRESENTED HEREBY (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY STATE, LOCAL, OTHER FEDERAL LAW OF THE UNITED STATES OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE NOTE REPRESENTED HEREBY WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY SUCH SUBSTANTIALLY SIMILAR STATE, LOCAL, OTHER FEDERAL LAW OF THE UNITED STATES OR NON-U.S. LAW, FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY OF THIS NOTE MAY BE OBTAINED FROM THE COMPANY'S CHIEF FINANCIAL OFFICER, ADDRESS: 10 CHISWICK PARK, 566 CHISWICK HIGH ROAD, LONDON W4 5XS, UNITED KINGDOM.

THIS NOTE AND ANY INTEREST OR PARTICIPATION HEREIN (SUCH NOTE, AN "ADDITIONAL NOTE") CANNOT BE EXCHANGED FOR, NOR TRANSFERRED TO PERSONS WHO TAKE DELIVERY THEREOF IN THE FORM OF, ANY NOTE (SUCH NOTE, AN "ORIGINAL NOTE") INITIALLY ISSUED ON JULY 18, 2013 AND NO ORIGINAL NOTE MAY BE EXCHANGED FOR, NOR TRANSFERRED TO PERSONS WHO TAKE DELIVERY THEREOF IN THE FORM OF, THIS ADDITIONAL NOTE. ANY ADDITIONAL NOTES ISSUED IN THE FORM OF DEFINITIVE REGISTERED NOTES IN EXCHANGE OR SUBSTITUTION FOR THIS ADDITIONAL NOTE (AND ALL ADDITIONAL NOTES ISSUED IN EXCHANGE THEREFOR OR IN SUBSTITUTION THEREOF) SHALL PROVIDE FOR A SIMILAR RESTRICTION.

If it purchases Additional Notes, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Additional Notes as well as to holders of these Additional Notes.

- (6) It agrees that it will give to each person to whom it transfers the Additional Notes notice of any restrictions on transfer of such Additional Notes.
- (7) It acknowledges that until 40 days after the commencement of the relevant Offering, any offer or sale of the relevant Additional Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.
- (8) It acknowledges that the Registrar and the Transfer Agent will not be required to accept for registration or transfer any Additional Notes acquired by it except upon presentation of evidence satisfactory to the Issuer, the Transfer Agent and the Registrar that the restrictions set forth therein have been complied with.
- (9) It acknowledges that the Issuer, the Initial Purchaser, the Trustee, the Transfer Agent, the Registrar and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the

Additional Notes is no longer accurate, it shall promptly notify the Initial Purchaser. If it is acquiring any Additional Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

- (10) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer, any of the Guarantors or the Initial Purchaser that would result in a public offering of the Additional Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Additional Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Additional Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*."
- (11) It represents and agrees that either (a) it is not and for so long as it holds an Additional Note (or any interest therein) will not be (i) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a "plan" as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code, or (iv) a governmental, church or non-U.S. plan which is subject to any state, local, other federal law of the United States or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (b) its acquisition, holding and disposition of the Additional Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or, in the case of such a governmental, church or non-U.S. plan, any such substantially similar state, local, other federal law of the United States or non-U.S. law, for which an exemption is not available.

## LEGAL MATTERS

Legal advice for the Issuer, as to matters of U.S. federal and New York state law, will be provided by Allen & Overy LLP and English law advice for the Issuer will also be provided by Allen & Overy LLP. Certain legal advice for the Initial Purchaser, as to matters of U.S. federal and New York state law, will be provided by Latham & Watkins (London) LLP, and English law advice for the Initial Purchaser will also be provided by Latham & Watkins (London) LLP.

## INDEPENDENT AUDITORS

The consolidated financial statements of VEIL as of and for the 52 week period ended November 28, 2013; as of and for the 53 week period ended November 29, 2012; and as of November 24, 2011 and for the period from incorporation on October 26, 2010 to November 24, 2011, which includes the trading results of Vue Entertainment Investment Limited for the 49 week period from December 21, 2010, included in this offering memorandum, have been audited by PricewaterhouseCoopers LLP, independent auditors, as stated in their reports appearing herein.

The consolidated financial statements of Vougeot Bidco p.l.c. as of November 28, 2013 and for the period from incorporation on May 2, 2013 to November 28, 2013, which includes the trading results of VEIL for the 16 week period for August 8, 2013 to November 28, 2013, included in this offering memorandum, have been audited by PricewaterhouseCoopers LLP, independent auditors, as stated in their report appearing herein.

PricewaterhouseCoopers LLP is a member of The Institute of Chartered Accountants in England and Wales.

## WHERE YOU CAN FIND MORE INFORMATION

Each purchaser of the Additional Notes from the Initial Purchaser will be furnished with a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to the offering memorandum acknowledges that:

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

For so long as any of the Additional Notes are "restricted securities" within the meaning of the Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13(a) or 15(d) of the U.S. Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the U.S. Exchange Act, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act. Any such request should be directed to the Issuer at 6 New Street Square, New Fetter Lane, London EC4A 3BF, United Kingdom.

We are not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture governing the Additional Notes and so long as the Additional Notes are outstanding, we will furnish periodic information to holders of the Additional Notes. See *"Description of the Notes — Certain Covenants — Reports."*

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer of the Additional Notes is organized under the laws of England and Wales. The Security Documents relating to the Collateral will be governed by the laws of England and Wales, Germany, Ireland, Jersey and Poland, as applicable. The Indenture (including the Guarantees) and the Additional Notes will be governed by New York law. The Intercreditor Agreements will be governed by the law of England and Wales. All of the directors and executive officers of the Issuer and each of the Guarantors are non-residents of the United States. Since substantially all of the assets of the Issuer and each of the Guarantors, and its and their directors and executive officers, are located outside the United States, any judgment obtained in the United States against the Issuer or a Guarantor or any such other person, including judgments with respect to the payment of principal, premium (if any) and interest on the Additional Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States. Furthermore, although the Issuer and each of the Guarantors will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action in relation to the Additional Notes and the Indenture or under U.S. securities laws, it may not be possible for investors to effect service of process on us or on such other persons as mentioned above within the United States in any action, including actions predicated upon the civil liability provisions of U.S. federal securities laws.

If a judgment is obtained in a U.S. court against the Issuer or a Guarantor or a security provider, investors may need to enforce such a judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below in respect of those jurisdictions in which each of the Issuer and the Guarantors are currently located, you should consult with your own advisors in any pertinent jurisdictions about the position regarding the enforcement of U.S. judgments there.

### England and Wales

The following discussion sets out the position with respect to the enforceability of certain U.S. court judgments in England and Wales and is based upon advice provided to us by our English counsel. The United States and the United Kingdom do not have a treaty providing for the reciprocal recognition and enforcement of court judgments in civil and commercial matters. A judgment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities law, would not be directly enforceable in England and Wales but such judgment would be treated as constituting a cause of action against the judgment debtor in England and Wales and could be sued on summarily in the English courts. The English courts should enter judgment against the judgment debtor without re-examination of the merits of the original matter decided by a U.S. court provided:

- the relevant U.S. court had jurisdiction to give the judgment;
- the judgment is final and conclusive on the merits and is for a definite sum of money (not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty or otherwise based on a U.S. law that an English court considers to be a penal, revenue or other public law);
- the judgment is not for multiple damages (as defined by the Protection of Trading Interests Act 1980);
- the enforcement of such judgment would not contravene public policy in England and Wales;
- the enforcement of such judgment is not prohibited by statute (including, without limitation, if the amount of the judgment has been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damage sustained);
- the English proceedings were commenced within six years after the date of the judgment;
- before the date on which the U.S. court gave judgment, the issues in question had not been the subject of a final judgment of an English court or of a court of another jurisdiction whose judgment is enforceable in England; and
- the judgment has not been obtained by fraud or in proceedings, which are in breach of the principles of natural justice;

It is uncertain whether an English court would impose liability on a judgment debtor in an action predicated upon the U.S. federal securities law brought in England and Wales.

If an English court gives judgment for the sum payable under a U.S. judgment, the English judgment will be enforceable by methods generally available to the English courts for this purpose. These methods generally permit the court discretion to prescribe the manner of enforcement.

## Germany

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

- U.S. courts could take jurisdiction of the case in accordance with the principles of jurisdictional competence according to German law;
- the document introducing the proceedings was duly made known to the defendant in a timely manner that allowed for adequate defense or, in the case of noncompliance with such requirement, (i) the defendant does not invoke such noncompliance or (ii) has nevertheless engaged in the proceedings;
- the judgment is not contrary to (i) any prior judgment which became *res judicata* rendered by a German court or (ii) any prior judgment which became *res judicata* rendered by a foreign court which is recognized in Germany and the procedure leading to the respective judgment does not contradict any such prior judgment;
- the effects of its recognition will not be in conflict with material principles of German law, including, without limitation, fundamental rights under the constitution of Germany (*Grundrechte*). In this context, it should be noted that any component of a U.S. federal or state court civil judgment awarding punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will not be enforced in Germany. They are regarded to be in conflict with material principles of German law;
- the reciprocity of enforcement of judgments is guaranteed; and
- the judgment became *res judicata* in accordance with the law of the place where it was pronounced.

Enforcement and foreclosure in Germany based on U.S. judgments may be sought after having received an enforcement decision from a competent German court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce judgments in Germany in civil and commercial matters obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be enforceable. Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation, moratorium as well as other similar laws affecting creditors' rights generally. In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. federal securities laws.

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

If the party in whose favor such final judgment is rendered brings a new suit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against the Issuer or such persons will be regarded by a German court only as evidence of the outcome of the dispute to which

such judgment relates. A German court may choose to re-hear the dispute and may render a judgment not in line with the judgment rendered by a federal or state court of the United States.

## **Ireland**

As the United States is not a party to a convention with Ireland in respect of the enforcement of judgments, common law rules apply in order to determine whether a judgment of the courts of the State of New York is enforceable in Ireland. Awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in Ireland. Judgments of the U.S. courts will not be directly enforceable in Ireland and any proceedings in respect of any action would need to be taken before the Irish courts. However, a judgment of a U.S. court may be recognized and enforced in Ireland without retrial or examination of the merits of the case, provided that:

- the U.S. court was a court of competent jurisdiction;
- the U.S. judgment has not been obtained or alleged to have been obtained by fraud or trick;
- the decision of the U.S. court and the enforcement thereof was not and would not be contrary to natural or constitutional justice under the laws of Ireland;
- the U.S. judgment and the enforcement thereof would not be contrary to public policy as understood by the Irish courts or constitute the enforcement of a judgment of a penal or revenue (tax) nature;
- the U.S. judgment is final and conclusive and is for a debt or definite sum of money;
- there is a practical benefit to the party in whose favor the U.S. judgment is made in seeking to have that judgment enforced in Ireland;
- the procedural rules of the U.S. courts and the Irish courts have been observed;
- the judgment is not inconsistent with a judgment of the Irish courts in respect of the same matter; and
- the Irish enforcement proceedings being commenced within six years from the date of the U.S. judgment, or such other period as may be applicable pursuant to the Irish Statute of Limitations 1957 (as amended).

## **Italy**

Final, enforceable and conclusive judgments rendered by U.S. courts, even if obtained by default, may not require retrial and will be enforceable in Italy, provided that pursuant to Article 64 of Italian Law No. 218 of May 31, 1995 (Riforma del sistema italiano di diritto internazionale privato) the following conditions are met:

- the relevant U.S. federal or New York state court which rendered the judgment had jurisdiction upon the matter according to Italian rules of jurisdiction;
- the relevant summons and complaint was appropriately served on the defendant in accordance with domestic procedural laws and the essential rights of the defendant have not been violated during the proceeding;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of default by the defendant, the U.S. court declared such default in accordance with U.S. law;
- the judgment is final and binding and not subject to any further appeal (*passato in giudicato*) in accordance with the law of the state in which it was issued;
- there is no conflicting final judgment earlier rendered by an Italian court;
- there are no proceedings pending in Italy among the same parties for decision on the same matter which commenced prior to the proceedings in the relevant U.S. federal or New York state court; and
- the provisions of the judgment rendered by the U.S. federal or New York state court are not contrary to Italian public policy.

Moreover, according to Article 67 of Law 218/95, if the judgment rendered in the U.S. federal or New York state court is not complied with, its recognition is challenged or it is necessary to enforce such judgment, a proceeding must be filed in the Court of Appeal to this end. The competent Court of Appeal does not review the merits of the case but only the existence of all the requirements listed above (including that



requiring that the judgment rendered by the U.S. federal or New York state court is not contrary to Italian public policy).

## Jersey

The following summary with respect to the enforceability of certain U.S. court judgments in Jersey is based upon advice provided to us by Jersey legal advisors. As a general rule, foreign judgments, including judgments predicated upon civil liabilities and any judgment obtained in courts outside of Jersey predicated upon U.S. Federal securities laws, cannot be directly enforced in Jersey, although an exception to this rule occurs where the Judgments (Reciprocal Enforcement) (Jersey) Law 1960 (as amended) (the “1960 Law”) applies.

The 1960 Law provides for the registration and enforcement in Jersey of judgments given in the superior courts of countries which accord reciprocal treatment to judgments given in Jersey. Presently, the reciprocating countries and their superior courts are as follows:

- England and Wales — The Supreme Court of the United Kingdom, the House of Lords, the Court of Appeal and the High Court of Justice;
- Scotland — The Supreme Court of the United Kingdom, the Court of Session and the Sheriff Court;
- Northern Ireland — The Supreme Court of the United Kingdom, and the Court of Judicature of Northern Ireland;
- Isle of Man — Her Majesty’s High Court of Justice of the Isle of Man (including the Staff of Government Division); and
- Guernsey — The Royal Court of Guernsey and the Court of Appeal of Guernsey.

Not all judgments given by such superior courts can be registered. The registration procedure set out in Part 2 of the 1960 Law applies only to judgments or orders given or made in civil proceedings, or in criminal proceedings for the payment of a sum of money in respect of compensation or damages to an injured party. It does not apply to judgments given by such superior courts on appeal from an inferior court nor, for example, to an English County Court judgment given in proceedings later transferred to the High Court for enforcement. In addition, the judgment must:

- be final and conclusive as between the parties (whether or not an appeal in the foreign court is pending or possible);
- provide for the payment of a sum of money, but not in respect of taxes or similar charges, or a fine or other penalty;
- be for a moneys sum which has not been wholly satisfied; and
- be able to be enforced by execution.

Further detailed provisions in relation to the enforcement of foreign judgments in Jersey are contained in the 1960 Law. If a foreign judgment falls within Part 2 of the 1960 Law, the judgment creditor must use the registration procedure, as further described in the 1960 Law.

Where registration under the 1960 Law, is not available, it will be necessary for a holder of a foreign judgment to commence fresh proceedings in Jersey. While such proceedings would seek to sue on the foreign judgment as a debt and seek summary judgment in respect thereof, the proceedings might involve a re-examination of the merits of the case (such re-examination to be carried out in accordance with relevant principles of private international law).

In summary, to enforce a foreign judgment *in personam* at common law, the judgment must be final and conclusive, for a debt or definite sum of money (but not payable in respect of taxes or similar charges or a fine or other penalty), and given by a court of competent jurisdiction, but must not be impeachable on the grounds of fraud, or contrary to public policy, or natural justice. In Jersey, it has been held that a final and conclusive non-monetary judgment obtained in the courts of any territory deemed to have jurisdiction in accordance with the principles of private international law as applied by Jersey law, may in appropriate circumstances be recognized and enforced by the Jersey court without a substantive re-examination of the merits — there is currently no strict judicial guidance as to what could constitute appropriate circumstances.

Subject to the foregoing, investors may be able to enforce in Jersey judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. However, we cannot assure you that those

judgments will be recognized or enforceable in Jersey. In addition, it is questionable whether a Jersey court would accept jurisdiction and impose civil liability if the original action was commenced in Jersey, instead of the United States, and predicated solely upon U.S. federal securities laws.

## Poland

Recognition and enforcement of judgments of foreign courts is subject to:

- (1) the Council Regulation (EC) No. 44/2001 of December 22, 2000 on jurisdiction, recognition and enforcement of judgments in civil and commercial matters (to be repealed by the Regulation (EU) No. 1215/2012 on January 10, 2015);
- (2) the 2007 Lugano Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters;
- (3) Agreement between the European Community and the Kingdom of Denmark on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (OJ L79, 21.03.2013, page 4).
- (4) other relevant treaties or conventions, including relevant bilateral treaties; and
- (5) the rules of the Polish Code of Civil Procedure of November 17, 1964 (Dz.U.1964.43.296 as amended) (the "Polish Code of Civil Procedure").

There is no treaty between the United States and Poland providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) rendered in civil and commercial matters. Therefore, the rules of the Polish Code of Civil Procedure shall apply to recognition and enforcement of U.S. court judgments.

Pursuant to the Polish Code of Civil Procedure, a foreign court judgment is recognized in Poland by virtue of law, unless one of the following circumstances occurs:

- the judgment is not final in the jurisdiction in which it was issued;
- the judgment was issued in a case which was within the exclusive jurisdiction of the Polish courts;
- the respondent, who did not engage in the dispute on the matter, was not provided with summons initiating the proceedings, in due manner and time, to allow such respondent to take defense;
- a party has been deprived of the opportunity to defend itself in the proceedings;
- the proceeding relating to the same claim and between the same parties commenced in Poland (before a court or other relevant agency) prior to the commencement of the proceeding before a court of the foreign country;
- the judgment is contrary to any earlier final judgment of a Polish court (or other relevant agency) or any earlier final judgment of a foreign court (or other relevant agency) satisfying the conditions for its recognition in Poland, which was issued regarding the same claim between the same parties; and
- the recognition of the judgment would be contrary to the fundamental principles of the legal order of the Republic of Poland.

Any person who has the so-called legal interest may apply to Polish court with a motion for a decision ascertaining that the judgment of a foreign court is or is not recognized in Poland.

The judgment of a foreign court, which is eligible to be enforced, can be enforced in Poland after its enforceability is confirmed by the Polish court. Polish court will confirm the enforceability if:

- the judgment of a foreign court is enforceable in the jurisdiction in which it was issued; and
- none of the circumstances referred to above (relating to the recognition of the judgments) occurs.

Certain judgments of U.S. courts (or parts thereof) may be unenforceable or not fully enforceable by Polish courts, or their enforcement can be difficult in practice, in particular: (i) certain forms of specific performance, in particular those which are not recognized or common in Poland, (ii) certain forms (or amounts) of damages or indemnities, in particular, punitive damages or other similar damages or indemnities the amount of which exceeds the actual loss suffered. Judgments (or parts thereof) adjudicating such forms of specific performance or damages or indemnities may be considered as contrary to the fundamental principles of the legal order of the Republic of Poland.

Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation, moratorium as well as other similar laws affecting creditors' rights generally.

## **LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS**

*Set out below is a summary of certain limitations on the enforceability of the Guarantees and the security interests relating to the Additional Notes, and of certain insolvency law considerations in each of the jurisdictions in which the Issuer, the Guarantors and the providers of security are organized or incorporated. It is a summary only. Bankruptcy or insolvency proceedings or a similar event could be initiated in any of these jurisdictions and/or in the jurisdiction of organization or incorporation of a future guarantor under the Additional Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Additional Notes, the Guarantees and any security securing the Additional Notes.*

### **EU insolvency law**

The Issuer and certain Guarantors are organized or incorporated under the laws of EU Member States. Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the "EU Insolvency Regulation") which applies within the EU (other than Denmark), the court that shall have jurisdiction to open main insolvency proceedings in respect of a company is the court of the EU Member State (other than Denmark) where the company concerned has its "center of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its "center of main interests" is a question of fact on which the courts of the different EU Member States may have differing and even conflicting views. The term "center of main interests" is not a static concept but is determined for the purposes of deciding which courts have jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that a company has its "center of main interests" in the EU Member State in which it has its registered office in the absence of proof to the contrary, Preamble 13 of the EU Insolvency Regulation states that the "center of main interests" of a company should correspond to the place where the company conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties." In that respect, factors such as where board meetings are held, the location where the company conducts the majority of its business or has its head office and the perception of the company's creditors as regards to the center of the company's business operations may all be relevant in the determination of the place where the company has its "center of main interests."

If the "center of main interests" of a company, at the time an insolvency application is made, is located in an EU Member State (other than Denmark), only the courts of that EU Member State have jurisdiction to open the main insolvency proceedings in respect of the company under the EU Insolvency Regulation. The types of insolvency proceedings which may be commenced as main proceedings in the relevant jurisdiction are set out in Annex A to the EU Insolvency Regulation. Under the EU Insolvency Regulation, insolvency proceedings opened in one EU Member State must be recognized automatically in the other EU Member States (other than Denmark), subject to certain specific exceptions set out in the EU Insolvency Regulation itself. Separately, and in addition to main proceedings, secondary territorial proceedings may be opened in respect of the company in another EU Member State, as set out below.

If the "center of main interests" of a company is in one EU Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another EU Member State (other than Denmark) have jurisdiction to open second territorial proceedings against that company only in the event that such company has an "establishment" (within the meaning and as defined in Article 2(h) of the EU Insolvency Regulation) in the territory of such other EU Member State. An "establishment" is defined to mean a place of operations where the company carries on non-transitory economic activity with human means and goods.

If the main insolvency proceedings have been opened by the court of the EU Member State (other than Denmark) in which the center of main interests of the company is situated, and are outstanding, then the secondary territorial proceedings can only be winding-up proceedings listed in Annex B of the EU Insolvency Regulation. If main insolvency proceedings in the EU Member State (other than Denmark) in which the company has its center of main interests have not yet been opened, independent territorial proceedings could still be opened in another EU Member State (except Denmark) under the specific circumstances set forth in Article 3(4) of the EU Insolvency Regulation. The effects of those territorial proceedings are restricted to the assets of the company situated in the territory of such other EU Member State. If the company does not have an establishment in any other EU Member State, no court of any other EU Member State has jurisdiction to open territorial proceedings in respect of such company under the EU Insolvency Regulation. Irrespective of

whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will always, subject to certain exemptions, be governed by the insolvency laws of the EU Member State (other than Denmark) in which the insolvency proceedings of the company are commenced.

The courts of all EU Member States (other than Denmark) must recognize the judgment of the court opening main proceedings and give the same effect to the order in the relevant EU Member State, so long as no secondary proceedings have been opened there. The insolvency officeholder appointed by a court in an EU Member State that has jurisdiction to open main proceedings (because the company's center of main interests is there) may exercise the powers conferred on him by the law of that Member State in another EU Member State (such as to remove assets of the company from that other EU Member State), subject to certain limitations, as long as no insolvency proceedings have been opened in that other EU Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other EU Member State where the company has assets.

In the event that any one or more of the Issuer, the Guarantors or any of their subsidiaries experience 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. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuer and the Guarantors.

## **Germany**

### ***German Insolvency Proceedings***

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that a company subject to the German insolvency law regime (hereinafter also referred to as the or a debtor) and/or a creditor file a petition for the opening of insolvency proceedings (*Antrag auf Eröffnung des Insolvenzverfahrens*). Insolvency proceedings must (subject to the further descriptions in this section "*German Insolvency Proceedings*") be initiated by the debtor and can be initiated by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event of illiquidity (*Zahlungsunfähigkeit*).

A debtor is over-indebted when its liabilities exceed the value of its assets unless, based on the prevailing circumstances, a continuation of the business is predominantly likely (*überwiegend wahrscheinlich*).

A company is considered to be illiquid if it is unable to pay its debts when they are due. In addition, only the debtor can file for the opening of insolvency proceedings in case of impending illiquidity (*drohende Zahlungsunfähigkeit*), if there is the imminent risk of the debtor becoming unable to pay its debts as and when they fall due, whereas impending illiquidity does not give rise to an obligation for the management of the debtor or a right of a creditor to file for insolvency proceedings.

If a debtor is a GmbH (*Gesellschaft mit beschränkter Haftung*), a German stock corporation (*Aktiengesellschaft*), a European law stock corporation based in Germany (*Societas Europaea* — "SE") or any other company not having an individual as a personally liable shareholder gets into a situation of illiquidity and/or over-indebtedness, the managing director(s) of that debtor must file a petition for the opening of insolvency proceedings without undue delay but in any event no later than three weeks after that debtor has become illiquid and/or over-indebted. The management of a debtor can be exposed to criminal sanctions as well as damage claims in the event that filings for insolvency are delayed or not made at all.

If a company faces imminent illiquidity and/or is over-indebted it may also file for a preliminary "debtor in possession" protection scheme unless — from a third party perspective — there is no reasonable chance of a successful restructuring. In such case and upon request of the debtor, the court will appoint a preliminary trustee (*vorläufiger Sachwalter*) and prohibit enforcement measures (other than with respect to immoveable assets). It may also implement other preliminary measures to protect the debtor from creditor enforcement actions for up to three months. During that period, the debtor must prepare an insolvency plan which will ideally be implemented in formal "debtor-in-possession" proceedings (*Eigenverwaltung*) after formal insolvency proceedings have been opened.

The insolvency proceedings are court-controlled, and, upon receipt of the insolvency petition, the insolvency court may take preliminary protective measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. As part of such protective measures the court may appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*). The rights and duties of the preliminary administrator depend on the decision of the

court. The duties of the preliminary administrator may be, in particular, to safeguard and preserve the debtor's property and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. Depending on the decision of the court, even the right to manage and dispose of the business and assets of the debtor may pass to the preliminary insolvency administrator. This only applies, where the debtor has not applied for so-called self-administration (*Eigenverwaltung*), in which event the court will only appoint a preliminary trustee (*vorläufiger Sachwalter*), who will supervise the management of the affairs by the debtor. During preliminary insolvency proceedings, a "preliminary creditors' committee" (*vorläufiger Gläubigerausschuss*) generally will be appointed by the court if the debtor satisfies two of the following three requirements:

- a balance sheet total in excess of €4,840,000 (after deducting an equity shortfall if the debtor is over-indebted),
- revenues of at least €9,680,000 in the 12 months prior to the last day of the financial year preceding the filing; and/or
- 50 or more employees on an annual-average basis.

The requirements apply to the entity subject to the proceedings without taking into account the assets of other group companies. The preliminary creditors' committee will be able to participate in certain important decisions taken during the preliminary insolvency proceedings. It will, for example, have the power to influence the following: the selection of a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*) or an insolvency administrator (*Insolvenzverwalter*), orders for "self-administration" proceedings (*Anordnung der Eigenverwaltung*), and the appointment of a preliminary trustee (*vorläufiger Sachwalter*). The court opens formal insolvency proceedings (*Insolvenzeröffnung*) if certain formal requirements are met (in particular, but not limited to, evidence being provided of an existing cause of insolvency) and there are sufficient assets to cover at least the cost of the insolvency proceedings.

If the assets of the debtor are not expected to be sufficient, the insolvency court will only open main insolvency proceedings if third parties, for instance creditors, advance the costs themselves. In the absence of such advancement, the petition for opening of insolvency proceedings will usually be refused for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of the insolvency proceedings, an insolvency administrator (*Insolvenzverwalter*) is usually appointed by the court who has full administrative and disposal authority over the debtor's assets unless debtor-in-possession proceedings (*Eigenverwaltung*) are ordered. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's operations or may deem it necessary to wind down the Issuer. Satisfaction of these liabilities as preferential debts of the estate (*Masseverbindlichkeiten*) will be preferred to any insolvency liabilities created by the debtor prior to the opening of insolvency proceedings.

For the holders of the Additional Notes, the most important consequences of such opening of formal insolvency proceedings against a debtor would be the following:

- the right to administer and dispose of assets of the Issuer would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate;
- if the court does not order debtor-in-possession proceedings (*Eigenverwaltung*), disposals effected by management of the debtor after the opening of formal insolvency proceedings are null and void by operation of law;
- if, during the final month preceding the date of filing for insolvency proceedings, a creditor in the insolvency proceedings acquires through execution (e.g., attachment) a security interest in part of the debtor's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of formal insolvency proceedings; and
- claims against the debtor may generally only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*).

Any person that has a right to segregation (*Aussonderung*) with respect to any of its assets from the assets in the possession of the debtor does insofar not participate in the insolvency proceedings and the relevant asset does not constitute part of the insolvency estate; the claim for segregation must be enforced in the course of ordinary court proceedings against the insolvency administrator.



All other creditors, whether secured or unsecured (other than to the extent they have a right to segregate an asset from the insolvency estate (*Aussonderungsrecht*) as opposed to a preferential right (*Absonderungsrecht*)) who wish to assert claims against the debtor need to participate in the insolvency proceedings. Any individual enforcement action brought against the debtor by any of its creditors other than creditors with preferred claims (*Absonderung der Masseverbindlichkeit*) is subject to an automatic stay once the insolvency proceedings have been opened (and, if so ordered by a court, also between the time when an insolvency petition is filed and the time when insolvency proceedings commence). Unsecured creditors may file their claims in the insolvency proceedings and will be paid on a pro rata basis from the insolvency estate (to the extent sufficient assets are available). Certain secured creditors have preferential rights regarding the enforcement of their security interests, but German insolvency law imposes certain restrictions on their ability to enforce their security interests outside the insolvency proceedings and in many cases the insolvency administrator will have the sole right to enforce the security. Whether or not a secured creditor remains entitled, after the initiation of insolvency proceedings, to enforce security granted to it by the relevant debtor depends on the type of security.

The insolvency administrator generally has, *inter alia*, the sole right (a) to realize any moveable assets within its possession which are subject to preferential rights (*Absonderungsrechte*) (e.g., movable assets which are subject to a transfer by way of security (*Sicherungsübereignung*)) as well as (b) to collect any claims that are subject to security assignments (*Sicherungsabtretungen*). If such enforcement right is vested in the insolvency administrator, the enforcement proceeds, less certain contributory charges for (a) assessing the value of the secured assets (*Feststellungskosten*) and (b) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add up to 9% of the gross enforcement proceeds (plus VAT (if any)), are paid to the creditor holding the relevant security interest in the relevant collateral up to an amount equal to its secured claims. The unencumbered assets of the debtor serve to satisfy the costs of the insolvency proceedings (*Massekosten*) first and afterwards the preferred creditors of the insolvency estate (*Massegläubiger*). Typically, liabilities resulting from acts of the insolvency administrator after commencement of formal insolvency proceedings constitute liabilities of the insolvency estate (*Masseverbindlichkeiten*). Thereafter, all other claims (insolvency claims (*Insolvenzforderungen*)), in particular claims of unsecured creditors, will be satisfied on a pro rata basis if and to the extent there is cash remaining in the insolvency estate (*Insolvenzmasse*). A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and which requires, among other things and subject to certain exceptions, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

Under German insolvency laws, it is possible to implement a debt-to-equity swap through an insolvency plan. However, it will not be possible to force a creditor into a debt-to-equity swap with regards to the debt owed to it by the debtor if it does not consent to such swap. Creditors secured by pledges over shares in subsidiaries of the debtor are entitled to preferential satisfaction with regard to the proceeds realized in an enforcement process which has to be effected by means of a public auction outside the insolvency process. However, in the absence of authoritative case law, it is uncertain whether the secured creditors are entitled to initiate the enforcement process in respect of the pledged shares on their own or, as far as the pledged assets are part of any insolvency estate, whether the insolvency administrator has standing to realize the pledges on behalf of and for the benefit of the secured creditors. Even if the law vests the right of disposal regarding the relevant collateral in the insolvency administrator, the secured creditor retains the right of preferred satisfaction with regard to the (net) disposal proceeds (*Absonderungsrecht*). Consequently, the enforcement proceeds minus certain contributory charges as described above are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. Remaining amounts will be allocated to the insolvency estate (*Insolvenzmasse*) and would, after deduction of the costs of the insolvency proceedings (as described above) and after satisfaction of certain preferential liabilities be distributed among the non-preferential unsecured creditors, including, to the extent their claims exceed the enforcement proceeds of the security interests, the holders of the Additional Notes. If a German subsidiary or a subsidiary subject to German insolvency proceedings grants security over its assets to creditors other than the holders of the Additional Notes, such security may result in a preferred treatment of creditors whose claims are secured by such security. The proceeds resulting from such collateral securing the claims of creditors other than the holders of the Additional Notes may not be sufficient to satisfy the holders of the Additional Notes under a Guarantee granted by the debtors after satisfaction of such secured creditors.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a moveable asset that is subject to this right. The insolvency administrator, however, must compensate the creditor for any loss of value resulting from such use. It may



take several years before an insolvency dividend, if any, is distributed to unsecured creditors. An alternative distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and requires, in principle, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In the case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately (i.e., there is no group insolvency concept under German insolvency law). As a consequence, there is, in particular, no pooling of claims among the various entities of a group or their respective creditors, but rather claims of and vis-à-vis each entity have to be dealt with separately.

Other than secured and unsecured creditors, German insolvency law provides for certain creditors to be subordinated by law (in particular, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the return of funds or payment of a consideration), while claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to the claims of regular, unsecured creditors. Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrator opts for performance.

### **Limitation on Enforcement**

Any security (including a guarantee) granted by a Guarantor incorporated or established in Germany in the form of a GmbH (limited liability company) or a GmbH & Co. KG (limited partnership with a limited liability company as general partner)(a "German Guarantor") and being an affiliate (but not a direct or indirect shareholder) of the Issuer (i.e., being a direct or indirect subsidiary of the Issuer or of any direct or indirect shareholder of the Issuer without itself being such shareholder) (a "Relevant Affiliate"), is subject to certain provisions of the German Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung* — "GmbHG").

As a general rule, sections 30 and 31 of the GmbHG ("Sections 30 and 31") prohibit a GmbH or GmbH & Co. KG from disbursing its assets to its (direct or indirect) shareholders to the extent that the amount of the GmbH's, or in the case of a GmbH & Co. KG, its general partner's net assets determined in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*) (i.e., assets minus liabilities and liability reserves) is or would fall below, or if the disbursement increases or would increase an existing shortfall of, the amount of its stated share capital (*Begründung oder Vertiefung einer Unterbilanz*). Guarantees and any other security granted by a GmbH or by a GmbH & Co. KG in order to secure the liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to secure the liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31 and to protect management from personal liability, it is standard market practice for credit agreements, indentures, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries incorporated or established in the legal form of a GmbH or a GmbH & Co. KG in Germany. Pursuant to such limitation language, the beneficiaries of the guarantees or security interests agree to enforce the guarantees or security interests against the German subsidiary only to the extent that such enforcement would not result in the GmbH's (or, in case of a GmbH & Co. KG, its general partner's) net assets falling below, or in an increase of an existing shortfall of, its stated share capital (provided that the determination and calculation of such shortfall is subject to certain adjustments and exemptions). Accordingly, any documentation providing for a security interest or a Guarantee provided by a Relevant Affiliate of the Issuer incorporated or established in the legal form of a GmbH or a GmbH & Co. KG in Germany will contain such limitation language in the manner described. This could lead to a situation in which the respective Guarantee or security granted by a GmbH or a GmbH & Co. KG cannot be enforced at all. German capital maintenance rules are subject to evolving case law. Future court rulings may further limit the access of a shareholder to assets of its subsidiaries constituted in the form of a GmbH (or of a GmbH & Co. KG, the general partner or general partners of which is or are a GmbH or GmbHs), which can negatively affect the ability of the German (direct or indirect) subsidiaries of the Issuer to make payments under the Guarantees, of the beneficiaries of the Guarantees to enforce the Guarantees or of the secured parties to enforce, or receive or retain the proceeds of the enforcement of, the collateral.

## **Parallel Debt; Security Interests**

Under German law, certain “accessory” security interests such as pledges (*Pfandrechte*) require that the pledgee and the creditor of the secured claim be the same person. Such security interests cannot be held for the benefit of a third party by a pledgee which does not itself hold the secured claim. The holders of interests in the Additional Notes from time to time will not be parties to the security documents. In order to permit the holders of the Additional Notes from time to time to benefit from pledges granted to the security agent under German law, the Intercreditor Agreement provides for the creation of a “parallel debt.” Pursuant to such parallel debt, the security agent becomes the holder of a claim equal to the sum of any amounts payable by any obligors under, in particular, the Additional Notes and the Indenture (the “Parallel Debt Obligations”). The pledges governed by German law will directly and exclusively secure the Parallel Debt Obligations, rather than secure the obligations under the Additional Notes or the claims of the Noteholders directly. The Parallel Debt Obligations are in the same amount and payable at the same time as the obligations of the Issuer and the Security Providers under the Additional Notes and the Guarantees (the “Principal Obligations”), and any payment in respect of the Principal Obligations will discharge the corresponding Parallel Debt Obligations and any payment in respect of the Parallel Debt Obligations will discharge the corresponding Principal Obligations. Although the security agent will have, pursuant to the parallel debt, a claim against the Issuer and the Security Providers for the full principal amount of the Additional Notes, there are no published court decisions confirming the validity of the parallel debt structure and of the pledges granted under German law securing such parallel debt, and hence there is no certainty that German courts will uphold such pledges. Therefore, the ability of the security agent to enforce the Collateral may be restricted. In addition, holders of the Additional Notes bear some risk associated with a possible insolvency or bankruptcy of the security agent.

German law does not generally permit the appropriation of pledged assets by the pledgee upon enforcement of the pledge. The enforcement of a share pledge under German law usually requires the sale of the asset constituting the collateral through a formal process involving a public auction to which certain waiting periods and notice requirements apply. Under German law, it is unclear whether the security interest in the collateral gives the security agent the right to prevent other creditors of the entities having granted such security from foreclosing on and realizing the asset constituting the collateral. Some courts have held that certain types of security interests only give their holders priority (according to their ranking) in the distribution of any proceeds from the realization of the asset constituting the collateral and no right to intervene (i.e., the right to request the court to impose a stay on proceedings initiated by other creditors).

## **Hardening Periods and Fraudulent Transfer**

In the event of insolvency proceedings with respect to a company, which would be based on and governed by the insolvency laws of Germany, the security interests granted as well as a guarantee provided by that entity could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) under the rules of avoidance as set out in the German Insolvency Code (*Insolvenzordnung*).

On the basis of these rules, an insolvency administrator may challenge (*anfechten*) transactions which are deemed detrimental to insolvency creditors and which were effected prior to filing of the petition for the opening of insolvency proceedings. Such transactions can include the payment of any amounts to the Noteholders as well as (directly or indirectly) granting them any security interest (including guarantees). The administrator’s right to challenge transactions can, depending on the circumstances, extend to transactions during the ten-year period prior to the commencement of insolvency proceedings. If the Additional Notes, the Guarantees or the security were avoided, holders of the Additional Notes would only have a general unsecured claim in insolvency proceedings in the amount of their original investment and the holders of the Additional Notes would be under an obligation to repay the amounts received out of or for the account or to the detriment of the insolvency estate or to waive such Guarantee or security interest.

In particular, an act (*Rechtshandlung*) or a transaction (*Rechtsgeschäft*) (which terms also include the provision of security or the repayment of debt) may be avoided in the following cases:

- any act (*Rechtshandlung*) granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction for a debt (*Befriedigung*) if such act was taken (a) during the last three months prior to the filing of the petition for the opening of insolvency proceedings, provided that the debtor was illiquid (*zahlungsunfähig*) at the time when such act was taken and the creditor knew of such illiquidity at such time, or (b) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor’s illiquidity or the filing of such petition ;

- any act (*Rechtshandlung*) granting an insolvency creditor, or enabling an insolvency creditor, to obtain security or satisfaction for a debt where such creditor was not entitled to that security or satisfaction, or which was granted or obtained in a form to which such creditor was not entitled or at a time at which such creditor was not entitled to such security or satisfaction, if (a) such act was taken during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing, (b) such act was taken during the second or third month prior to the filing of the petition and the debtor was illiquid at such time, or (c) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors;
- a transaction (*Rechtsgeschäft*) by the debtor that is directly (*unmittelbar*) detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, if it was entered into (a) during the three months prior to the filing of the petition for the opening of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction knew of the illiquidity at such time, or (b) after the filing of the petition for the opening of insolvency proceedings and the counterparty to such transaction knew of either the debtor's illiquidity or such filing at the time of the transaction;
- any act (*Rechtshandlung*) by the debtor without (adequate) consideration (*unentgeltlich*) (e.g., whereby a debtor grants security or a guarantee for a third-party debt, which might be regarded as having been granted without consideration), if it was effected in the four years prior to the filing of the petition for the opening of insolvency proceedings;
- any act (*Rechtshandlung*) performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing, if the debtor acted with the intention (*Vorsatz*) to prejudice its insolvency creditors and the other party knew of such intention at the time of such act;
- any non-gratuitous (*entgeltlich*) contract concluded between the debtor and a related party of the debtor which directly (*unmittelbar*) operates to the detriment (*benachteiligen*) of the creditors can be avoided unless such contract was concluded more than two years prior to the filing for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to act to the detriment (*benachteiligen*) of its creditors; in terms of corporate entities, the term "related party" includes, subject to certain limitations, members of the management or supervisory board, shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons that are spouses, relatives or members of the household of any of the foregoing persons;
- any act (*Rechtshandlung*) that provides security or satisfaction for a shareholder loan (*Gesellschafterdarlehen*) made to the debtor or a similar claim if (a) in case of the provision of security, the act took place during the ten years prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition, or (b) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition; and
- any act (*Rechtshandlung*) whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (a) the transaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter, and (b) a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if it knew of the debtor's imminent illiquidity and that the transaction prejudiced the debtor's creditors. With respect to a "related party," there is a general statutory presumption that such party had "knowledge." Furthermore, even in the absence of an insolvency proceeding, a third-party creditor who has obtained an enforcement order (*Vollstreckungstitel*) but has failed to obtain satisfaction of its enforceable claims by a levy of execution, under certain circumstances, has the

right to void certain transactions, such as the payment of debt and the granting of security pursuant to the German Code on Avoidance (*Anfechtungsgesetz*). The conditions for avoidance under the German Code on Avoidance differ to a certain extent from the above-described rules under the German Insolvency Code and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

In addition, under German law, a creditor who provided additional, or extended existing, funding to a debtor or obtained security from a debtor may be liable in tort if such creditor was aware of the debtor's (impending) insolvency or of circumstances indicating such debtor's (impending) insolvency at the time such funding was provided or extended or such security was granted. The German Federal Supreme Court (*Bundesgerichtshof*) held that this could be the case if, for example, the creditor was to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the debtor as the grantor of the guarantee or security was close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

## **Ireland**

Pursuant to the EU Insolvency Regulation, the place of the registered office of a company is presumed to be its "center of main interests" in the absence of proof to the contrary. Certain of the Guarantors are incorporated under the laws of Ireland. Therefore, any main insolvency proceedings in respect of any Irish Guarantor would likely be commenced and conducted in accordance with the requirements of Irish insolvency laws. However, pursuant to the EU Insolvency Regulation, where an Irish company conducts business in another member state of the European Union, the jurisdiction of the Irish courts may be limited if the company's center of main interests is found to be in another Member State (please see "*— EU insolvency law*"). There are a number of factors that are taken into account to ascertain the center of main interests. The center of main interests should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The point at which the center of main interests of a particular company falls to be determined is at the time that the relevant insolvency proceedings are opened.

The following is a general discussion of insolvency proceedings and other matters governed by Irish law for informational purposes only and does not address all the Irish legal considerations that may be relevant to holders of the Additional Notes.

### ***Fixed and Floating Charges***

Under Irish law, there are a number of ways in which fixed charge security has an advantage over floating charge security:

- (a) an examiner (see "*— Examinership*") appointed to the charging company can deal with floating charge assets;
- (b) a fixed charge, even if created after the date of a floating charge, may have priority as against the floating charge over the charged assets;
- (c) general costs and expenses (including the liquidator's remuneration) properly incurred in a winding-up are payable out of the company's assets (including the assets that are the subject of the floating charge) in priority to floating charge claims;
- (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third-party good title to the assets free of the floating charge and so as to give rise to the risk of security being granted over such assets in priority to the floating charge security;
- (e) floating charge security is subject to certain challenges under Irish insolvency law (please see "*— Grant of Floating Charge*"); and
- (f) floating charge security is subject to the claims of preferential creditors in a winding-up (such as certain taxes, occupational pension scheme contributions and salaries owed to employees (subject to a cap per employee) and holiday pay owed to employees).

Under Irish law there is a possibility that a court could recharacterize fixed security interests purported to be created by a security document as floating charges; the description given to security interests by the parties is not determinative. Whether security interests labeled as fixed will be upheld as fixed security interests rather than floating security interests will depend on, among other things, whether the chargee has the requisite degree of control over the relevant chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is free to deal with the secured assets without the consent of the chargee prior to crystallization, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge in the security documents. In addition, to the extent that any of the assets which are expressed to be subject to a fixed charge are not specifically identified, the court may hold that such assets are, in fact, subject to a floating charge.

### ***Preferred Creditors under Irish Law***

Under Section 285 of the Irish Companies Act 1963 (the "1963 Act"), in a winding-up of an Irish company certain preferential debts are required to be paid in priority to all debts other than those secured by a fixed charge. Preferential debts therefore have priority over debts secured by a floating charge. If the assets of the relevant company available for the payment of general creditors are insufficient to pay the preferential debts, they are required to be paid out of the property subject to the floating charge. Under Section 98 of the 1963 Act, the holder of a floating charge, or a receiver appointed by such a holder, who takes possession of property subject to the floating charge when the company is not in the course of being wound up, is required to pay the preferential debts out of that property in priority to principal and interest secured by the floating charge.

Such preferential debts would comprise, among other things, any amounts owed in respect of local rates and certain amounts owed to the Irish Revenue Commissioners for income/corporation/capital gains tax, value added tax (VAT), employee-related taxes, social security and pension scheme contributions and remuneration, salaries and wages of employees and certain contractors and the expenses of liquidation.

In addition, there is a further limited category of super-preferential creditors which take priority, not only over unsecured creditors and holders of floating security, but also over holders of fixed security. These super-preferential claims include the remuneration, costs and expenses properly incurred by any examiner of the company which may include any borrowings made by an examiner to fund the company's requirements for the duration of his appointment that have been approved by the Irish courts, (see "*— Examinership*" below) and any capital gains tax payable on the disposition of an asset of the company by a liquidator, receiver or mortgagee in possession.

Furthermore, and as referred to above (see "*— Fixed and Floating Charges*"), in the case of the application of moneys arising from the realization of secured assets that are subject to a floating charge, or in a winding-up, the costs of the liquidation and the liquidator's fees will take priority over the claims of floating chargeholders in respect of relevant assets.

### ***Examinership***

Examinership is a court procedure available under the Irish Companies (Amendment) Act 1990, as amended (the "1990 Amendment Act") to facilitate the survival of the whole or part of an Irish company or companies in financial difficulties. In circumstances where an Irish company is or is likely to be unable to pay its debts, then that company, the directors of that company, a contingent, prospective or actual creditor of that company, or shareholders of that company holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of that company are each entitled to petition the court for the appointment of an examiner to that company. Provided the company can demonstrate viability, and can satisfy certain tests, the Irish High Court or, in the case of certain small companies, the Irish Circuit Court (each, a "Court") appoints an independent examiner whose function is to supervise the restructuring process.

Where the Court appoints an examiner to a company, it may, at the same or any time thereafter, make an order appointing the examiner to be examiner for the purposes of the 1990 Amendment Act to a related company of such company. Once confirmed by the Court the scheme is binding on the company and all its members and creditors. During the protection period the day-to-day business of the company remains under the control of the directors of the company, subject to certain rights of the examiner to apply to the Court. The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after this appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to this appointment. Furthermore, the examiner may sell assets of the company which are the



subject of security. Where such assets are the subject of a fixed security interest, the examiner must account to the holders of the fixed security interest for the amount realized and discharge the amount due to the holders of the fixed security interest out of the proceeds of the sale.

During the period of protection, the examiner will formulate proposals for a compromise or scheme of arrangement to assist the survival of the company, or of a related company, or both, and the whole or any part of its or their undertaking as a going concern. A scheme of arrangement may be approved by the Court when at least one class of creditors who would be adversely affected by the scheme of arrangement has voted in favor of the proposals and the Court is satisfied that such proposals are (i) fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement and (ii) not unfairly prejudicial to the interests of any interested party.

For as long as a company is under the protection of the Court, no attachment, sequestration, distress or execution shall be put into force against the property or effects of the relevant company except with the consent of the examiner. In addition, no proceedings of any sort may be commenced against a guarantor or any other person liable to pay all or any part of the debts of the company under protection in respect of the debts of that company. This moratorium under the 1990 Amendment Act runs for an initial period of 70 days from the date of the presentation of the petition to the court for the appointment of the examiner. An extension of up to 30 days can be granted on application to the court by the examiner and the period may be further extended by the court for such period as the court considers necessary to decide whether or not to confirm the proposals.

#### *Primary Risks for Holders of Additional Notes in an Examinership*

The primary risks to the holders of the Additional Notes, under the laws of Ireland, if an examiner were appointed to an Irish Guarantor and/or to a company related to such an Irish company and where any amounts due under the Additional Notes were unpaid, are as follows:

- (a) there may be a delay in enforcing the payment obligations of an Irish Guarantor of the Additional Notes and of any payment obligations contained in a guarantee given by any other related company subject to the examinership proceedings;
- (b) the potential for a compromise or scheme of arrangement being approved involving the writing down or rescheduling of the debt due by an Irish Guarantor to the holders of the Additional Notes;
- (c) the potential for a compromise or scheme of arrangement being approved involving the writing down or rescheduling of any payment obligations owed to the holders of the Additional Notes by a company related to such an Irish Guarantor;
- (d) the potential for the examiner to seek to set aside any negative pledge prohibiting the creation of security or the incurring of borrowings by the Irish Guarantor to enable the examiner to borrow to fund the guarantor during the protection period; and
- (e) in the event that a scheme of arrangement is not approved in respect of an Irish company guarantor of the Additional Notes and the guarantor subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the guarantor and approved by the Court) will take priority over the moneys and liabilities which from time to time are or may become due, owing or payable by it to the holders of the Additional Notes.

#### **Challenges to Security**

There are circumstances under Irish insolvency law in which the granting by an Irish company of security can be challenged. In most cases this will only arise if an examiner or a liquidator is appointed to the Irish company within a specified period (as set out in more detail below) of the granting of the security and, in addition, the company was "unable to pay its debts" when the security interest was granted or "unable to pay its debts" as a result.

A company will be "unable to pay its debts" if a statutory demand for an amount over €1,270 (approximately) is served on the company and remains unsatisfied for three weeks or an execution order or other process issued on a judgment, decree or order of a court in favor of a creditor is returned unsatisfied in whole or in part or it is proved to the court's satisfaction that the company is not able to pay its debts as they fall due or that the value of the company's assets is less than the amount of its liabilities (taking into account contingent and prospective liabilities).



The following potential grounds for challenge may apply to security interests:

#### *Fraudulent Preference*

Under Irish insolvency law, if an Irish company goes into liquidation, a liquidator may apply to the court for an order to set aside certain transactions entered into by an Irish company before the commencement of liquidation on the grounds that such transaction constituted a fraudulent preference. Section 286 of the 1963 Act provides that any conveyance, mortgage, delivery of goods, payment, execution or other act relating to property made or done by or against a company which is unable to pay its debts as they become due, to any creditor, within six months of the commencement of a winding-up of the Irish company, with a view to giving such creditor (or any surety or guarantor of the debt due to such creditor) a preference over its other creditors shall, if the company is at the time of the commencement of the winding-up unable to pay its debts (taking into account the contingent and prospective liabilities), be deemed a fraudulent preference of its creditors and be invalid accordingly. Where the conveyance, mortgage, delivery of goods, payment, execution or other action is in favor of a “connected person” the six-month period is extended to two years.

#### *Transaction Defrauding Creditors*

Under Section 139 of the Irish Companies Act 1990, if in a liquidation, receivership or examination of an Irish company it can be shown to the satisfaction of the court that any property of such company of any kind whatsoever was disposed of either by way of conveyance, transfer, mortgage, security, loan or in any way whatsoever whether by act or omission, direct or indirect, and that the effect of such disposal was to perpetrate a fraud on the Irish company, its creditors or members, the court may, if it deems it just and equitable to do so, order any person who appears to have the use, control or possession of such property or the proceeds of the sale or development thereof to deliver it or to pay a sum in respect of it to the relevant insolvency officer (or other applicant, which could include a creditor or contributory) under such terms or conditions as the court sees fit. In deciding whether it is just and equitable to make an order under Section 139 of the Irish Companies Act 1990, the Irish High Court must have regard to the rights of persons who have bona fide and for value acquired an interest in the property the subject of the application. Section 139 does not apply to a disposal that would constitute a fraudulent preference for the purpose of Section 286 of the 1963 Act.

#### *Grant of Floating Charge*

Under Irish insolvency law, if an Irish company is unable to pay its debts at the time of (or as a result of) granting a floating charge, then such floating charge can be avoided if it was granted in the period of one year ending with the onset of insolvency (except to the extent of moneys actually advanced or paid or the actual price or value of the goods or services sold or supplied to the Irish company at the time of or subsequent to the creation of, and in consideration for, the charge, together with interest on that amount at the rate of 5% per annum). Where the floating charge is granted to a “connected person” the charge can be challenged if granted within two years of the onset of insolvency.

#### *General*

If an Irish Guarantor becomes subject to an Irish law insolvency proceeding and that company has obligations to creditors that are treated under Irish law as senior relative to the company's obligations to the Noteholders, the Noteholders may suffer losses as a result of their subordinated status during such insolvency proceeding.

The validity and enforceability of a guarantee or security interest may be contested on the basis of an *ultra vires* claim. It is important in this regard that any Guarantor incorporated under the laws of Ireland has sufficient powers in its Memorandum of Association to give guarantees and indemnities and to create security over its assets.

Subject to certain exceptions, under Section 60 of the 1963 Act, it is unlawful for an Irish company to give, whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person or for any shares in the company or its holding company.

Pursuant to Section 1001 of the Irish Taxes Consolidation Act 1997 (as amended), the holder of a fixed security over book debts of an Irish tax-resident company may be required by notice from the Irish Revenue Commissioners to pay to them sums equivalent to those which the holder thereafter receives in payment of

debts due to it by the relevant company. Where the holder of the security has informed the Irish Revenue Commissioners of the creation of the security within 21 days of its creation, the holder's liability is limited to the amount of certain outstanding Irish tax liabilities of the company (including liabilities in respect of value added tax) arising after the issue to the holder of a notice from the Irish Revenue Commissioners.

The Irish Revenue Commissioners may also attach any debt due to an Irish tax-resident company by another person in order to discharge any liabilities of the company in respect of outstanding tax whether the liabilities are due on its own account or as an agent or trustee. It is possible that the scope of this right of the Irish Revenue Commissioners may override the rights of holders of security (whether fixed or floating) over the debt in question.

### **Enforcement Process**

#### *Receivership*

A receiver could be appointed by way of enforcement of the right of the holders of fixed or floating security interests. Receivers are appointed over assets which fall within the security granted, and not over the company itself. The appointment of a receiver could result in the costs and expenses of the receiver taking priority over any amounts otherwise owed to holders of the Additional Notes.

#### *Additional Notes Guarantees*

There is a risk that the Guarantees may be challenged as unenforceable on the basis that there is an absence of corporate benefit on the part of an Irish Guarantor or that it is not for the purpose of carrying on the business of the Irish Guarantor.

The directors' primary duty is to act in the best interests of their own company and not in the interest of the group as a whole. Nevertheless, it is often to the advantage of one company to support other members of the group and the Irish courts have held that corporate benefit may be established where the benefit flows to the group generally rather than specifically to the relevant Irish guarantor.

### **Italy**

The following is a summary of certain limitations on the validity and enforceability of the Additional Notes, the agreements ancillary thereto and the security interests being provided for the Notes, and a summary of certain Italian insolvency law considerations. The description below is only a summary, and does not purport to be complete or exhaustive, or to discuss all of the limitations or considerations that may affect the validity and enforceability of the Additional Notes, the agreements ancillary thereto or the Collateral. Prospective investors in the Additional Notes should consult their own legal advisors with respect to such limitations and considerations.

The Space Bidco is incorporated and organized under the laws of Italy, a Member State of the European Union. Pursuant to Council Regulation (EC) No. 1346/2000 of May 29, 2000 on insolvency proceedings (the "EU Insolvency Regulation"), the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the company concerned has its "center of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its "center of main interests" is a question of fact on which the courts of the different Member States may have differing and conflicting views. To date, no final decisions have been made in cases that have been brought before the European Court of Justice in relation to questions of interpretation of the effects of the E.U. Insolvency Regulation throughout the European Union. The term "center of main interests" is not a static concept. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that any such company has its "center of main interests" in the Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "center of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. In that respect, factors such as where board meetings are held, the location where the company conducts the majority of its business and the perception of the company's creditors as regards the center of the company's business operations may all be relevant in the determination of the place where the company has its "center of main interests".

If the "center of main interests" of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and, accordingly, a court in such jurisdiction would be

entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the “center of main interests” of a debtor is in one Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open “territorial proceedings” only in the event that such debtor has an “establishment” (in the meaning of the EU Insolvency Regulation) in the territory of such other Member State. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such company under the EU Insolvency Regulation.

To the extent that the “center of main interests” (as defined in the EU Insolvency Regulation described above) of The Space is located in Italy in the event of the insolvency or financial distress of such entities, insolvency, reorganization and debt restructuring proceedings will be initiated in Italy.

Where main proceedings have been opened in the Member State in which the company has its center of main interests, any proceedings opened subsequently in another Member State in which the company has an establishment (secondary proceedings) are limited to “winding up proceedings” listed in Annex B of the E.U. Insolvency Regulation. Where main proceedings in the Member State in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another Member State where the company has an establishment if either (a) insolvency proceedings cannot be opened in the Member State in which the company’s center of main interests is situated under that Member State’s law; or (b) the territorial insolvency proceedings are opened at the request of a creditor which is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment. The courts of all Member States (other than Denmark) must give to the judgment of the court of the main proceedings the same effect in all Member States so long as no secondary proceedings have been opened there. The liquidator appointed by a court in a Member State which has jurisdiction to open main proceedings (because the company’s center of main interests is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State) subject to certain limitations so long as no insolvency proceedings have been opened in that other Member State or any preservation measure has not been taken to the contrary following a request to open insolvency proceedings in that other Member State where the company has assets.

### ***Insolvency Laws***

The insolvency laws of Italy may not be as favorable to investors’ interests as those of other jurisdictions with which investors may be familiar. In Italy, the courts play a central role in the insolvency process and in-court procedures may be materially more complex and time-consuming than in equivalent situations in jurisdictions with which investors may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor it provides a comprehensive description of insolvency laws application where public companies are involved.

The two primary aims of Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the “Italian Bankruptcy Law”), are to liquidate the debtor’s assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors’ claims as well as, in case of the “Prodi-bis” procedure or “Marzano” procedure, to maintain employment. These competing aims have often been balanced by selling businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. Insolvency proceedings are only applicable to enterprises (*imprese*) either run by companies, partnerships or by individuals.

Under the Italian Bankruptcy Law, bankruptcy must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency occurs when a debtor is no longer able to regularly meet its obligations as they become due. This must be a permanent, and not a temporary, status in order for a court to hold that a company is insolvent. Conversely, the state of crisis (*stato di crisi*) is broader in that it can be temporary and reversible.

The following forms of debt restructuring and bankruptcy are available under Italian law for companies in a state of crisis and for insolvent companies.

Italian Bankruptcy Law applies to enterprises (*imprese*) either run by companies, partnerships or by individuals.

#### *Restructuring Outside of a Judicial Process (accordi stragiudiziali)*

Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and because informal arrangements put in place to effect an out-of-court restructuring are susceptible to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions. However, in cases where a company is solvent, but facing financial difficulties, it may be possible for it to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

#### *Out-of-court Reorganization Plans (Piani di risanamento) pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law*

Out-of-court reorganization plans (*piani di risanamento*) are based on restructuring plans (*piani di risanamento attestati*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the debtor has to verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert; nevertheless, the expert can only be selected and appointed among those possessing certain specific professional requisites and qualifications (i.e. being registered in the auditors' register), and meeting the requirements under Article 2399 of the Italian Civil Code. The expert may be subject to liability in case of misrepresentation or false certification.

The terms and conditions of these out-of-court reorganization plans are freely negotiable. Unlike court-supervised pre-bankruptcy compositions with creditors and debt restructuring agreements (see below), out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out for the implementation of the reorganization plan, subject to certain conditions are (i) not subject to claw-back action and (ii) exempted from certain potentially applicable criminal sanctions. Neither ratification by the court nor publication in the Companies' Register are needed (although publication in the Companies' Register is possible upon debtor's request) and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an court-supervised pre-bankruptcy compositions with creditors or a debt restructuring agreement (see below).

#### *Debt Restructuring Agreements with Creditors (accordi di ristrutturazione dei debiti) pursuant to Article 182-bis of the Italian Bankruptcy Law*

Debt restructuring agreements with creditors (*accordi di ristrutturazione dei debiti*) entered into with creditors representing at least 60% of the outstanding company's debts can be ratified (*omologati*) by the court, provided that an expert appointed by the debtor assesses the truthfulness of the business data provided by the company and declares that the agreement is feasible and, particularly, that it ensures that the debts of the non-participating creditors can be fully satisfied within the following time frames: (i) 120 days from the date of ratification of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as at the date of the ratification (*omologazione*) of the debt restructuring agreement by the court; and (ii) 120 days from the date on which the relevant debts fall due, in case of receivables which are not yet due and payable to the non-participating creditors as of the date of the ratification of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a state of crisis can initiate this process and request the court's ratification of the debt restructuring agreement entered into with its creditors.

The debt restructuring agreement is published in the companies' register and becomes effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any interim relief or enforcement actions over the assets of the debtor and cannot obtain any security interest (unless agreed) in relation to pre-existing debts. Such moratorium can be requested, pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law, to the court by the debtor pending negotiations with creditors (prior to the above-mentioned publication of the agreement), subject to the fulfilment of certain conditions. Such moratorium request must be published in the companies' register and

becomes effective as of the date of publication. The court, having verified the completeness of the documentation, sets the date for a hearing within 30 days of the publication and orders the debtor to supply to the creditors the relevant documentation in relation to the moratorium. In such hearing, creditors and other interested parties may file an opposition to the agreement and the court assesses whether the conditions for granting the moratorium have been met and, if they have, orders that no interim relief or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) by which the restructuring agreement has to be filed. The court's decree may be challenged within 15 days of its publication. Within the same deadline of 60 days, an application for the court-supervised pre-bankruptcy composition with creditors (as described below) may be filed, without prejudice to the effect of the moratorium.

Creditors and other interested parties may oppose to the agreement within 30 days of its publication with the competent Companies' register. The court shall, after having settled the opposition (if any), validate the debt restructuring agreement by issuing a decree which may be opposed within the following 15 days of its publication.

The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, *inter alia*, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party and may contain, business refinancing agreements, moratoria, write-offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financings granted to a debtor "in execution of" (*in esecuzione di*) a debt restructuring agreement, as well as of a court-supervised pre-bankruptcy composition with creditors (*concordato preventivo*), benefit of a super senior status. Additionally, even the financings granted "in view of" (*in funzione di*) the filing of a petition for the ratification (i.e. *omologazione*) of a debt restructuring agreement pursuant to Article 182-*bis* or a *concordato preventivo* benefit of the same super senior status in case of subsequent bankruptcy of the debtor where such financings are contemplated under the underlying restructuring plan and the super priority status is expressly recognized by the court in the context of the ratification (*omologazione*) of the debt restructuring agreement or the approval of the *concordato preventivo*. Same provisions apply to financings granted by shareholders up to 80% of their amount.

Moreover, pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the court, pending the ratification (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1, or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, (in relation to the court-supervised pre-bankruptcy composition with creditors (*concordato preventivo*) described below) may authorize the debtor, if so expressly requested: (i) to incur in new super senior indebtedness and to secure such indebtedness with in rem security ("*garanzie reali*"), provided that the expert appointed by the debtor declares that the new financing aims at providing a better satisfaction of the creditors, and (ii) to pay pre-existing debts deriving from the supply of services or goods, already payable and due, provided that the expert declares that such payments are essential for the company to operate. This possibility may be available to the applicant whereas its business activity is kept as a going concern.

It should be specified that the provision of Article 182-*quinquies* of the Italian Bankruptcy Law applies to both debt restructuring agreements and to court-supervised pre-bankruptcy composition with creditors (*concordato preventivo*).

#### *Court-Supervised Pre-bankruptcy Composition with Creditors (concordato preventivo)*

A company which is insolvent or in a state of crisis, but has not been declared insolvent by the court, has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Only the debtor company can file a petition with the court for a *concordato preventivo*; the proposal must be filed with a plan and the other relevant documentation and is accompanied by a report of an independent expert (who meets specific professional and independence requirements) assessing the feasibility of the composition proposal and the truthfulness of the business data provided by the company. The petition for *concordato preventivo* is then published in the companies' register.

Between the publishing in the companies' register of the *concordato preventivo* proposal and its final sanction by the court, all enforcement and interim relief actions by the creditors (whose title to enforcement



arose before filing with the court) are stayed. In addition, during this time, pre-existing creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within 90 days preceding the date on which the petition for the *concordato preventivo* is published in the Italian companies' register are ineffective against prepetition creditors.

By the deadline to file the complete *concordato preventivo*, the debtor may also file an *accordo di ristrutturazione dei debiti*.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring of debts and the satisfaction of creditors' claims (including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal; (iii) the division of creditors into classes and (iv) different treatment of creditors belonging to different classes.

The composition proposal may propose that (i) the debtor's company's business continues to be run by the debtor's company as a going concern, or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenues which are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert shall also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. Furthermore the going concern-based arrangement with creditors can provide also the winding-up of those assets which are not functional to the business. The arrangement agreement may also provide a proposed tax settlement for the partial or deferred payment of certain taxes.

In case of a *concordato preventivo con continuità aziendale*, the plan may provide for a moratorium of up to one year for the payment of creditors which benefit from a privilege (*privilegio*), pledge (*pegno*) or mortgage (*ipoteca*).

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its board of directors, but is supervised by the appointed judicial officers and judge (who shall authorize all transactions that exceed the ordinary course of business). The debtor is allowed to carry out urgent extraordinary transactions only upon the prior court's authorization, while ordinary transactions may be carried out without authorizations. Third party claims, related to the interim acts legally carried out by the debtor, are treated as super senior (*prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law.

The *concordato preventivo* is voted on at a creditors' meeting and must be approved by the majority (by value of claims) of the creditors entitled to vote and, where there are different classes of creditors also, by the majority of classes. Creditors who have not voted will be deemed to approve the *concordato preventivo* proposal if they fail to notify their objection via telegraph, fax, mail or e-mail to such proposal within 20 days from the relevant meeting. Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or the *concordato preventivo* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the non-secured part of their debt. The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes objected to it) if (i) the majority of classes has approved it, and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded by it compared to other solutions. If an objection to the implementation of the *concordato preventivo* is filed by creditors or, if there are different classes of creditors, by a creditor belonging to a dissenting class, representing at least 20% of the claims entitled to vote, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case.

After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) approves the *concordato preventivo* proposal by issuing a confirmation order. If the creditors' meeting does not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor, and if it has verified that the relevant conditions have been met, declare the



company bankrupt. Payments and transactions carried out under a court ratified *concordato preventivo* are not subject to claw-back action (see below).

*Pre-application for the composition with creditors (concordato preventivo), even in view of a debt restructuring agreement (accordo di ristrutturazione del debito)*

Pursuant to recent amendments to the Italian Bankruptcy Law (Law Decree 22 June 2012, no. 83 and Law Decree 21 June 2013, no. 69), the debtor may, upon filing the petition, limit the accompanying documents to the financial statements for the last three years and the list of creditors (along with the amount of the relevant receivables), and submit the composition scheme, the plan and the remaining documentation at a later stage within the deadline set by the court (so-called “blank (*in bianco*) petition”). Pursuant to article 161, Paragraph 6, of the Italian Bankruptcy Law, such deadline may vary from 60 to 120 days and may be deferred for further 60 days only on reasonable grounds. Within such term, the debtor may, at its discretion, also file the application for a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) in lieu of the proposal for the *concordato preventivo*. The “blank petition” allows the debtor to file a petition to initiate pre-bankruptcy agreement proceedings with an immediate “automatic stay” effect, but without filing the relevant proposal, plan and ancillary documentation, which can be delivered at a later stage. In the decree providing for such term, the court may appoint a judicial commissioner to monitor the company.

The debtor company may not file such pre-application if it has already done so in the previous two years without the admission to the composition with creditors (or the certification of a debt restructuring agreement (*accordo di ristrutturazione del debito*)) having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (relating also to the financial management of the company) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. Non-compliance with these requirements results in the application for the court-supervised pre-bankruptcy composition with creditors (*concordato preventivo*) being declared inadmissible and, upon request of the creditors or the public prosecutor and *provided* that the relevant requirements exist, in the adjudication of the distressed company to bankruptcy.

Following the filing of the pre-application and until the decree of admission to the composition with creditors, the distressed company may (i) carry out acts pertaining to its ordinary activity and (ii) seek the court’s authorization to carry out acts pertaining to its extraordinary activity, to the extent they are urgent. Receivables arising from acts lawfully carried out by the distressed company are treated as super-senior (*prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law.

Pursuant to article 169-*bis* of the Italian Bankruptcy Law, the debtor may request the competent court to be authorized to terminate outstanding agreements (*contratti in corso di esecuzione*), except for certain agreements which are excluded from the scope of the above provision (e.g. employment agreements (*rapporti di lavoro subordinato*)). The request may be filed with the competent court at the time of the filing of the application for the *concordato preventivo* or to the judge (*giudice delegato*), if the application is made after admission to the procedure. Upon the debtor’s request, the pending agreements can also be suspended for a period of time not exceeding 60 days, renewable just once. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be paid as a credit preceding the admission to the pre-bankruptcy composition.

### *Bankruptcy (fallimento)*

A request to declare a debtor bankrupt and to commence a bankruptcy proceeding (*fallimento*) and the judicial liquidation of the debtor company’s assets can be filed by the debtor company itself, any of its creditors and, in certain cases, by the public prosecutor. The bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the debtor (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) has had gross revenues (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years and (iii) has total indebtedness in excess of €0.5 million.

On the commencement of bankruptcy proceedings:

- subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. In particular, under certain circumstances, secured creditors (*creditori garantiti da pegno o assistiti da privilegio*) may enforce their priority rights in respect of the charged assets as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds deriving from the liquidation of the charged assets, together with interest and expenses. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. The secured creditor may sell the secured asset only after it has obtained authorization from the designated judge (*giudice delegato*). After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the designated judge decides whether to authorize the sale, and sets forth the timing in its decision;
- the administration of the debtor and the management of its assets pass from the debtor company to the bankruptcy receiver (*curatore fallimentare*);
- any act of disposition or transaction entered into by the debtor made after a declaration of bankruptcy (including payments made) is ineffective against the creditors;
- as a general rule and subject to certain exceptions, the receiver is allowed to terminate contracts with third parties where some or all of the obligations of the insolvent debtor have not been performed; and
- the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over. Although the general rule is that the bankruptcy receiver is allowed to either continue or terminate contracts where some or all of the obligations have not been performed by both parties, certain contracts are subject to specific rules expressly provided for by the Italian Bankruptcy Law. Any contractual provision granting a party the right of termination of the relevant contract in case of insolvency of the other party is ineffective (article 72, sub-section 6, of the Italian Bankruptcy Law).

The bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of any one of the creditors, but is responsible for the liquidation of the assets of the debtor for the satisfaction of the creditors as a whole. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real estate property. The Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including administrative costs associated with the bankruptcy proceeding and costs related to the receiver's running of the company, Italian tax and national social security contributions and employee arrears of wages or salary. Unsecured creditors are therefore satisfied after payment of preferential and secured creditors, out of available funds and assets (if any) as below indicated.

#### *Bankruptcy Composition with Creditors (concordato fallimentare)*

A bankruptcy proceeding can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The proposal can be filed, by one or more creditors or third parties, from the declaration of bankruptcy.

By contrast, the debtor or its subsidiaries are only permitted to file such proposal after one year following such declaration, but within two years following the decree giving effectiveness to the liabilities account (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security or the *concordato fallimentare* provides that they will not receive full satisfaction based on the fair market value of their charged assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their unsecured debt. The proposal may provide for: (a) the splitting of the creditors into different classes and different treatment for creditors who belong to different classes; (b) the restructuring of the debts and the payment of the creditors in whatever possible way including the assignment of (all or part of) the debtor's assets to the creditors or the assignment of (all or part of) the liabilities to a third party (*accollo*) or any other corporate reorganization such as the conversion of debt into equity (*azioni o quote*), (convertible) notes or any other financial instrument; (c) the assignment to creditors of (all or part of) the recovery/claw-back actions started by the Receiver; and (d) only partial satisfaction of the claims of the secured creditors, provided that such creditors would not be able to obtain greater satisfaction of their claims from the sale of the debtor's assets given as security based

on the market value assessed by an independent expert and that, in any case, the rules on priority of payment are not affected. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, also by a majority (by value) of the claims in a majority of the classes). Final court ratification is also required.

### *Statutory Priorities*

The statutory priority given to creditors under the Italian Bankruptcy Law may be different from that established in the United States, the United Kingdom and certain other EU jurisdictions. Under Italian law, the highest priority claims (after the costs of the proceedings are paid, including the costs related to the receiver's running of the company during the proceedings) are the claims of preferential creditors including the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The claims of secured creditors have priority, subject to certain claims preferred by operation of law, on the proceeds deriving from the liquidation of the secured assets, net of administrative and maintenance costs incurred during the proceedings by the receiver to preserve the value of the secured assets. To the extent the proceeds of the sale of the secured assets are not sufficient to fully satisfy the secured claim, the latter will participate with the unsecured creditors in the distribution of the proceeds of the disposal of the remaining assets. Neither the debtor nor the court can deviate from the rules of statutory priority by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles (as a consequence it must be noted that priority of payments such as those commonly provided in intercreditor contractual arrangements may not be enforceable against an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). The rules of statutory priority apply irrespective of whether the proceeds are derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated in a precise order. The highest priority claims, after the costs of the proceedings are paid, among the preferential creditors are pre-deductible claims (*crediti prededucibili*) which concern credits arisen with the approval of the receiver after the proceedings have commenced and credits which are defined as pre-deductible (*prededucibili*) by law. The remaining priority claims are, in order of priority, those of (i) secured creditors, including privileged creditors (*creditori privilegiati*; a priority in payment in most circumstances, but not exclusively, provided for by law), which include the claims of the Italian tax authorities and social security administrators, and claims for employee wages that arose before the insolvency has been declared (including severance pay), mortgagees (*creditori ipotecari*) and pledgees (*creditori pignoratizi*) and (ii) unsecured creditors (*crediti chirografari*).

### *Avoidance Powers in Insolvency*

Under Italian law, there are claw-back (*revocatoria fallimentare*) provisions, that may lead to, *inter alia*, the revocation of payments made, or security interests granted, by the debtor prior to the declaration of bankruptcy, or avoidance provisions, that concern transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy, compared to the rules applicable in other jurisdictions.

In a bankruptcy proceeding, depending on the circumstances, the Italian Bankruptcy Law provides for a claw-back period of up to either one year or six months depending on the circumstances (please note that in the context of extraordinary administration procedures — see sections below — in relation to certain transactions the claw-back period can be extended to five and three years, respectively) and a two-year ineffectiveness period for certain other transactions.

The Italian Bankruptcy Law distinguishes between acts or transactions which may be declared ineffective and acts or transactions which may be clawed-back (*revocati*) at the request of the bankruptcy receiver/court commissioner, as detailed below.

#### (A) Acts ineffective by operation of law:

- (i) under Article 64 of the Italian Bankruptcy Law, all transactions without consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration; and
- (ii) under Article 65 of the Italian Bankruptcy Law, payments of debts falling due on the day of the declaration of insolvency or thereafter are deemed ineffective *vis-à-vis* creditors if made by the debtor in the two-year period prior to the insolvency declaration.

- (B) Acts which could be clawed-back at the request of the bankruptcy receiver/court commissioner
- (i) The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) unless the other party proves that it had no actual or constructive knowledge of the debtor's insolvency:
    - I. the onerous transactions entered into in the year preceding the insolvency declaration, where the value of the debt or of the obligations undertaken by the debtor exceed by 25% the value of the consideration received by, or promised to, the debtor;
    - II. payments of debts, due and payable, made by the debtor, which were not paid in cash or by other customary means of payment in the year preceding the insolvency declaration;
    - III. pledges and mortgages granted by the bankrupt entity in the year preceding the insolvency declaration in order to secure pre-existing debts which had not yet fallen due; and
    - IV. pledges and mortgages, granted by the bankrupt entity in the six months preceding the insolvency declaration, in order to secure debts which had fallen due.
  - (ii) The following acts and transactions, if done or made during the period specified below, may be clawed-back (*revocati*) if the bankruptcy receiver proves that the other party had actual or constructive knowledge that the bankrupt entity was insolvent at the time of the act or transaction:
    - I. the payments of debts due and payable and onerous transactions entered into or made in the six months preceding the insolvency declaration; and
    - II. the granting of security interests securing debts (even those of third parties) created simultaneously with the incurring of such debts and made in the six months preceding the insolvency declaration.
  - (iii) The following transactions are exempt from claw-back actions:
    - I. a payment for goods or services made in the ordinary course of business and in accordance with market practice;
    - II. a remittance on a bank account, provided that it does not reduce the bankrupt entity's debt towards the bank in a material and lasting manner;
    - III. a sale, including an agreement for sale registered pursuant to Article 2645-bis of the Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser, on the condition that, as at the date of the purchase, such activity is actually exercised or the investments for the start of such activity have been carried out;
    - IV. transactions entered into, payments made and security interests granted with respect to the bankrupt entity's goods, provided that they are included in the implementation of a *piano di risanamento attestato* (see *Out-of-court Reorganization Plans (Piani di risanamento)* pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law);
    - V. a transaction entered into, payment made or security interest granted to implement a *concordato preventivo* (see *Court-Supervised Pre-bankruptcy Composition with Creditors (concordato preventivo)*) or an *accordo di ristrutturazione dei debiti* under Article 182-bis of the Italian Bankruptcy Law (see *Debt Restructuring Agreements with Creditors (accordi di ristrutturazione dei debiti)* pursuant to Article 182-bis of the Italian Bankruptcy Law) and transactions entered into, payments made and security interests granted after the filing of the application for a *concordato preventivo* (see above);
    - VI. remuneration payments to the bankrupt entity's employees and consultants; and
    - VII. a payment of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

Any security interest purported to be created over future assets and claims (including shares or quotas newly issued in the context of a non-gratuitous capital increase) will, in most circumstances, be deemed to be created at the time such future assets and claims come into existence, always subject to the relevant perfection formalities being duly complied with in accordance with applicable laws. Therefore, should the

relevant grantor become subject to insolvency proceedings, assets and claims which come into existence after the commencement of such insolvency proceedings would be deemed part of the grantor's insolvency estate available to its creditors generally.

#### *Extraordinary Administration for Large Insolvent Companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza)*

An extraordinary administration procedure applies under Italian law for large industrial and commercial enterprises (the "Prodi-bis procedure" set out under Legislative Decree no. 270 of 8 July 1999). The relevant company must be insolvent, but demonstrating serious recovery prospects. The purpose of the administration is to save and rehabilitate a company in financial distress due to its significant technical, commercial, productive and employment value. To qualify for this procedure, the company must have employed at least 200 employees in the previous year. In addition, it must have debts equal to at least two-thirds of its assets (*attivo patrimoniale*) as shown in its latest financial statements and two-thirds of its income from sales and services during its last financial year.

Either of the creditors, the debtor, a court or the public prosecutor may make a petition to commence an extraordinary administration procedure. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings. There are two main phases — a judicial phase and an administrative phase.

##### *Judicial Phase*

In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and, along with an evaluation as to whether the company has serious prospects for recovery via a business sale or reorganization, appoints one or three judicial commissioners (*commissario giudiziale*). The judicial receiver files a report with the court within 30 days, along with an evaluation as to, and within ten days from such filing, the Italian Productive Activities Minister (the "Ministry") makes an opinion on the admission of the company to the extraordinary administration procedure. The court then decides (within 30 days from the filing of the report) whether to admit the company to the procedure or to declare it bankruptcy.

##### *Administrative Phase*

Assuming that the company is admitted to the extraordinary administration procedure, the administrative phase begins and an extraordinary commissioner (or three commissioners) is appointed by the Ministry. The extraordinary commissioner prepares a plan which can provide for either the sale of the business as a going concern within one year (unless extended by the Ministry) (the "Disposal Plan") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "Recovery Plan"). The plan may also include an arrangement with creditors (e.g., a debt for equity swap, an issue of shares in a new company to whom the assets of the company have been transferred, etc.) (*concordato*). The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner.

The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan, failing which the company is declared bankrupt.

#### *Industrial Restructuring of Large Insolvent Companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)*

Introduced in 2003, the industrial restructuring of large insolvent companies is also known as the "Marzano procedure" set out under Legislative Decree no. 347 of 27 December 2003. It is complementary to the Prodi-bis procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to be faster than the Prodi-bis procedure. For example, although a company must be insolvent, the application to the Ministry is made together with the filing to the court for the declaration of the insolvency of the debtor. The purpose of this extraordinary administration is to continue the company's operations, while restructuring its debts and selling non-core or non-strategic assets.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have had at least 500 employees during the 12 months period before the procedure is commenced and have at least €300 million of debt. The decision whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file with the court an application for the declaration of



insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner has 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within two years (extendable to three years). If the Disposal or Recovery Plan is not approved by the Ministry, the court will declare the company bankrupt and open a bankruptcy proceeding.

In 2008, the Italian government enacted an amendment to Law No. 39 of 2004. The reform introduced certain specific provisions applying to large companies carrying out services considered essential to the public.

#### *Compulsory Administrative Winding-up (liquidazione coatta amministrativa)*

A compulsory administrative winding-up (*liquidazione coatta amministrativa*) is only available for certain companies, including, *inter alia*, public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be made subject to bankruptcy proceeding (*fallimento*).

It is irrelevant whether these companies belong to the public or the private sector. The procedure may be triggered not only by the insolvency of the relevant entity, but also on other grounds expressly provided for by the relevant legal provisions (e.g., in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions).

The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers, assigned to the designated judge and the bankruptcy court under the other insolvency proceedings, under this procedure are assumed by the relevant administrative authority. The effect on creditors of the forced administrative winding-up is largely the same as under bankruptcy proceedings and includes, for example, an automatic stay of enforcement proceedings. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to compulsory administrative winding-up.

### **Limitations on Enforcement**

The enforcement of security interests by creditors in Italy can be time consuming.

In the event that the limitations on the guarantee issued by an Italian guarantor apply and/or there are payment obligations under any Notes other than in respect of principal or interest, the noteholders could have a reduced claim against the relevant guarantor.

According to Italian law, the enforcement of any claims, obligations, security interest and rights in general may be subject to, *inter alia*, the following aspects:

- the enforcement of obligations may be limited by insolvency proceedings listed above relating to or affecting the rights of creditors;
- an Italian court will not necessarily grant any specific enforcement or precautionary measures, the availability of which is subject to the discretion of the court;
- in contracts providing for mutual obligations (*contratti a prestazioni corrispettive*), each party can refuse to perform its obligation if the other party does not perform or does not offer to perform its own obligation thereunder, in accordance with and subject to the provisions of Article 1460 of the Italian Civil Code;
- claims arising under Italian law governed documents may become barred under the provision of Italian law concerning prescriptions and limitations by the lapse of time (*prescrizioni and decadenze*) or may be or become subject to a claim and/or defense of set-off (*compensazione*) or to counterclaim;
- pursuant to Article 1241 of the Italian Civil Code concerning set-off of reciprocal obligations (*compensazione*), persons who have reciprocal debt obligations may set-off such obligations for the correspondent amount when both such debt obligations have as an object a pecuniary obligation or fungible assets and are equally liquid and payable;



- where any party to any agreement or instrument is vested with discretion or may determine a matter in its opinion, Italian law may require that such discretion is exercised reasonably or that such opinion is based on reasonable grounds;
- the enforceability in Italy of obligations or contractual provisions governed by a foreign law may be limited by the fact that the relevant provisions of laws may be deemed contrary to Italian public policy principles;
- there is some possibility that an Italian court could hold that a judgment on a particular agreement or instrument, whether given in an Italian court or elsewhere, would supersede such agreement or instrument to all intents and purposes, so that any obligation thereunder which by its terms would survive such judgment might not be held to do so;
- enforcement of obligations may be invalidated by reason of fraud or abuse of the law (*abuso del diritto*);
- the enforceability of an obligation pursuant to the terms set forth in any agreement or instrument may be subject to the interpretation of an Italian court which may carry out such interpretation pursuant to the provisions of Articles 1362 and following of the Italian Civil Code;
- any question as to whether or not any provision of any agreement or instrument which is illegal, invalid, not binding, unenforceable or void may be severed from the other provisions thereof in order to save those other provisions would be determined by an Italian court on the basis of the interpretation of the intention of the parties, taking also into account the conduct of the parties following the execution of such agreement or instrument (Article 1419 of the Italian Civil Code);
- an Italian company, either directly or indirectly, cannot grant loans or provide security interest for the purchase or subscription of its own shares unless, in respect of a joint stock company (*società per azioni*), the strict requirements provided for by the Italian Civil Code are satisfied;
- an Italian company must have a specific corporate interest in guaranteeing or securing financial obligations of its parent company or any other companies, whether related or unrelated, such interest being determined by the relevant company on a case-by-case basis;
- in case of bankruptcy, a receiver in bankruptcy is appointed by the court to administer the proceeding under the supervision of the bankruptcy court and creditors cannot start or continue individual foreclosure actions (including the enforcement of security interests) against the debtor (automatic stay). Furthermore, the sale of the relevant pledged assets is carried out by such receiver unless the pledgee is expressly authorized by the bankruptcy court;
- the start or carrying on of individual foreclosure actions (including the enforcement of security interests) against the debtor would be prevented also if the debtor files a petition for the court's ratification of the debt restructuring agreement under Article 182 bis of the Italian Bankruptcy Law or for being admitted to the procedure of court-supervised pre-bankruptcy composition with creditors (*concordato preventivo*);
- the priority rights (*prelazione*) granted by way of a pledge extend to interest accrued in the year in which the date of the relevant seizure/attachment or adjudication in bankruptcy falls (or, in the absence of seizure/attachment, at the date of the notification of the payment demand (*precetto*)) and extend, moreover, to interest accrued and to accrue thereafter, but only to the extent of legal interest and until the date of the forced sale in the context of the relevant foreclosure proceeding/bankruptcy proceedings;
- the tax authorities may require payment of taxes from the party liable at law (either severally or jointly with other parties) to make such payment, regardless of any provisions in any agreement or instrument requiring a party to pay or indemnify another person against payment of such taxes;
- there could be circumstances in which Italian law would not give effect to provisions concerning advance waivers or forfeitures;
- the effectiveness of terms exculpating a party from liability or duties otherwise owed is prevented by Italian law in the event of gross negligence (*colpa grave*), wilful misconduct (*dolo*) or the violation of mandatory provisions;
- penalties and liquidated damages (*penali*) may be equitably reduced by a court;

- Italian courts do not necessarily give full effect to an indemnity for the costs of enforcement or litigation;
- a security interest does not prevent creditors of the relevant debtor other than the pledgee from continuing enforcement or enforcement proceedings on the assets secured by the relevant pledge; and
- in case of bankruptcy of the grantor of the pledge over quotas or shares, the assets secured by the pledge could be freely sold to any third party in the context of the relevant bankruptcy proceeding and, as a consequence, the proceeds would be set aside for the prior satisfaction of the pledgee but the pledge would be terminated and, therefore, the latter would lose entitlement to the voting rights on the pledged quotas/shares.

## **Trust and Parallel Debt**

Under Italian law the beneficiary of a security interest must be clearly identified and indicated in the relevant security document. Due to the impossibility to clearly identify and keep track over time of the names of the individual holder of the Notes, Italian security documents are created in favour of the Security Agent as representative of all secured creditors. It is uncertain and untested in the Italian courts whether under Italian law a security can be created and perfected (i) in favor of creditors (such as the Noteholders) which are neither directly parties to the relevant security documents nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of the Trustee of holders of the Notes since there is no established concept of “trust” or “trustee” under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of the Trustee as agent or trustee for holders of the Notes under security interests on Italian assets is debatable under Italian law. Therefore, there might be risks regarding the enforceability of the security interests created by the Collateral. Moreover, Parallel Debt structures, according to which the security interests is also granted in favour of the Security Agent, as beneficiary of parallel debt obligations against the Issuer, which will be discharged to the extent the corresponding principal payment obligations of the Issuer under the Indenture and the Notes are discharged, have not been tested under Italian law and there can be no assurance that they will eliminate or mitigate the risk of unenforceability posed by Italian law. If any challenge to the validity of the security interests or any implemented Parallel Debt structure was successful, the holders of the Notes may not be able to recover any amounts under the security interests.

### *Insolvency claw-back*

Similarly to other jurisdictions, Italian Bankruptcy Law sets forth certain “claw-back” or avoidance provisions in case of insolvency that may give rise, inter alia, to the revocation of payments made, transactions incurred or security interests granted before the commencement of an insolvency procedure.

The key avoidance provisions target transactions made below market value, or with a view to defraud creditors or to advantage one creditor over the others. Bankruptcy claw-back rules under Italian law are normally considered to be favorable to the receiver compared to the rules applicable in other jurisdictions, which you may be familiar with.

In particular, the Italian Bankruptcy Law distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner. Transactions carried out for no consideration within two years prior to the commencement of the bankruptcy proceeding are ineffective vis-à-vis the company’s creditors.

The following acts and transactions, if made by the insolvent debtor during the relevant period of time as specified below, may be avoided and declared ineffective, unless the other party proves that it had no actual or constructive knowledge of the debtor’s insolvency:

- transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;
- payments of debts, due and payable, made by the bankrupt entity not in cash or by other customary means of payment in the year before the insolvency declaration;
- pledges and voluntary mortgages granted by the bankrupt entity in the year before the insolvency declaration in order to secure pre-existing debts which have not yet fallen due; and

- pledges and judicial and/or voluntary mortgages granted by the bankrupt entity in the six months before the insolvency declaration in order to secure matured debts.

The following acts and transactions, if made by the insolvent during the vulnerability period or such other period specified below, may be avoided and declared ineffective if the bankruptcy receiver proves (also by way of presumptions) that the other party knew that the bankrupt entity was insolvent:

- the payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months before the insolvency declaration; and
- deeds granting pre-emptive rights in favor of debts (even those of third parties) which are simultaneously created and made within six months before the insolvency declaration.

The following transactions by the insolvent debtor are exempt from claw-back actions in case of subsequent bankruptcy of the same:

- payments for goods or services made in the ordinary course of business according to market practice; a remittance on a bank account, provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;
- the sale, including an agreement for sale registered pursuant to Article 2645-bis of the Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main place of business of the purchaser and the purchaser has already commenced its business activity in the relevant premises or made investments to that end, as of the date of which the bankruptcy is declared;
- transactions entered into, payments made and guarantees issued by the insolvent debtor pursuant to a certified restructuring plan duly certified by an independent expert;
- transactions entered into, payments made, guarantee issued or security granted by the insolvent debtor to implement a ratified debt restructuring agreement or court-supervised pre-bankruptcy composition with creditors;
- remuneration payments to the debtor's employees for working activities carried out by same; and
- payments in due course of due and payable debts incurred for services which were necessary for the company to access to a restructuring procedure.

In addition, the bankruptcy receiver can request that certain transactions of the debtor be declared void within the Italian Civil Code ordinary claw-back period of five years (*revocatoria ordinaria*). Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the bankrupt entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the bankruptcy entity for the purpose of prejudicing the bankrupt entity) and that, in the case of a transaction entered into for consideration with a third person, the third person was also aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third person participated in the fraudulent design). Burden of proof is entirely with the receiver.

### **Certain Limitations on Enforcement**

Under Italian law, in the event that an entity becomes subject to insolvency proceedings, guarantees and security interests given by it could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of avoidance or claw-back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw-back of transactions made by the debtor during a certain legally specified period (the "Suspect Period"). The avoidance may relate to, inter alia (i) transactions made by the debtor within a Suspect Period of one year prior to the declaration of the insolvency at below market value (i.e., to the extent the asset or obligation given or undertaken exceeds by one-quarter the value of the consideration received by the debtor), or involving unusual means of payment (e.g., payment in kind) or security interests granted after the relevant secured obligations have arisen but before the secured obligation became due and payable, whereby the creditor must prove its lack of knowledge of the state of insolvency of the relevant entity in order to rebut any claw-back action, (ii) security interests granted in order to secure a debt due and payable, whereby the creditor must prove its lack of knowledge of the state of insolvency of the relevant entity in order to rebut any claw-back action during the suspect period of six months prior to the

declaration of the insolvency, and (iii) payments of due and payable obligations, transactions at arm's length or security interests granted simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, whereby the bankruptcy receiver must prove that the creditor was aware of the state of insolvency of the relevant entity in order to enforce any claw-back action. For a more detailed explanation of the terms, conditions and consequences of claw-back actions in an insolvency scenario, see " — Insolvency Laws".

If challenged successfully, the security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, holders of the Additional Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related security documents.

In addition under Italian law, in certain circumstances also in the ordinary course of business, an action can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a guarantee, security, agreement and any other act by which it disposes of any of its assets, in order to seek a claw-back action (*azione revocatoria ordinaria*) pursuant to Article 2901 of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, security, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian court could revoke the said guarantee, security, agreement and other act only if it, in addition to the ascertainment of the prejudice, was to make the two following findings:

- that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was done prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit; and
- that, in the case of non-gratuitous act, the third party involved was aware of said prejudice and, if the act was done prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

### **Corporate Benefit and Financial Assistance Issues under Italian Law — Article 1938 of the Italian Civil Code**

Under Italian law, the entry into of a transaction (including the creation of a security interest) by a company must comply with the applicable laws and its by-laws (*statuto sociale*) and is subject to compliance with the rules on corporate benefit and corporate authorization. If a security interest or a guarantee is being provided in the context of an acquisition, group reorganization, refinancing or restructuring, financial assistance issues may also be triggered.

#### *Corporate Benefit*

An Italian company entering into a transaction (including granting a security interest) must receive a real and adequate benefit in exchange for it. The concept of a real and adequate benefit is not specifically defined in the applicable legislation and is determined by a factual analysis on a case-by-case basis. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration.

As a general rule, absence of a real and adequate corporate benefit could render the transaction *ultra vires* and potentially affected by conflict of interest and the related corporate resolutions adopted by the shareholders and directors may be the subject matter of challenges and annulment. Civil liabilities also may be imposed on the directors of the company if it is assessed that they did not act in the interest of it and that the acts they carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law. The lack of corporate benefit could also lead to civil liabilities on those companies or persons ultimately exercising control over the company or having knowingly received an advantage or profit from such improper control. Moreover, the transaction (including the security interest granted by an Italian company) could be declared null and void if the lack of corporate benefit was (or ought to be) known by the third party and such third party acted intentionally against the interest of the company.

In relation to security interests, while corporate benefit for a downstream security (i.e., a security granted to secure financial obligations of direct or indirect subsidiaries of the relevant grantor) can usually be easily proved, the validity and effectiveness of an upstream or cross-stream security (i.e., a security granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an

entity organized under the laws of Italy depend on the capacity to prove the existence of a real and adequate benefit in exchange for the granted security interest.

The general rule is that the risk assumed by an Italian grantor of security must not be disproportionate to the direct or indirect economic benefit to it. To this extent, customary *limitation language* is usually inserted in indentures, credit agreements and guarantees for the purpose of limiting the amount guaranteed by the guarantor to an amount that is proportionate to the direct or indirect economic benefit that the guarantor derives from a transaction.

Pursuant to paragraph 3 of Article 2391 of the Italian civil code, if the resolution taken by the board of directors of a joint stock company (*società per azioni*) approving a transaction has been taken with the decisive vote of a director having either a personal or third party's interest in such transaction or such interest has not been disclosed to the other directors and the statutory auditors of the company or the resolution does not provide an appropriate explanation of the reasons that justify such transaction and the corporate benefit deriving therefrom in favor of the company, and provided that such resolution can cause a damage to the company, the resolution may be challenged by the directors and statutory auditors of the company within 90 days from its date of approval. The resolution may be challenged also by the shareholders of the company, if it is prejudicial to their rights (article 2388, paragraph 4, of the Italian Civil Code). The directors and statutory auditors that have been previously informed of the aforementioned interest and have expressed a favorable vote may not challenge the resolution. The challenging of the resolution does not affect the rights acquired by third parties in good faith on the basis of acts carried out in fulfilment of the resolution.

Pursuant to paragraph 1 of article 2475-ter of the Italian civil code, if the sole director of a limited liability company (*società a responsabilità limitata*), at the time on which it enters into an agreement, has an interest conflicting with that of the company, that company may ask that the relevant agreement be voided (*annullato*), if such conflict of interest was (or ought to be) known by the other parties to such agreement.

#### *Financial Assistance*

Save for specific exceptions, provided in respect of joint stock companies (*società per azioni*), it is unlawful under Italian laws for a company to give financial assistance — within the meaning of article 2358 and article 2474 (as the case may be) of the Italian Civil Code — (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company, and any loan, guarantee or security given or granted in breach of these provisions is null and void. Financial assistance to refinance indebtedness incurred by a company to purchase or subscribe for its own shares or quotas or those of its direct or indirect parent company or to secure any such indebtedness upon or after a merger pursuant to Article 2501-bis might also be considered as falling within the scope of Italian financial assistance provisions.

#### *Article 1938 of Italian Civil Code*

Finally, also pursuant and for the purposes of article 1938 of the Italian Civil Code, a guarantee granted by an Italian company shall have to be limited as to a maximum amount (*fideiussione*). Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). It has been held that such determination must be proportionate to the relevant guarantor's assets. If such determination is deemed disproportional to each relevant Guarantor's assets, there is the risk that the guarantee could be declared void.

In this respect, in relation to the guarantee under the Indenture, an additional limitation language has been provided pursuant to article 1938 of the Italian Civil Code and in order not to cause any breach of the Italian provisions on financial assistance (including, but not limited to, the provisions of article 2358 and/or article 2474, as the case may be, of the Italian Civil Code). According to such limitation language, the maximum amount that the Italian guarantor may be required to pay in respect of its obligations as guarantor under the Indenture shall be determined on the basis of a formula according to which such maximum amount will not exceed the amounts from time to time outstanding under the Indenture which have been used for purposes other than the acquisition or subscription of shares of such Italian guarantor or its (direct or indirect) controlling entities.

In addition, any guarantee granted by an Italian guarantor for the obligations under the Indenture of any other Debtor (as defined in the Intercreditor Agreement) which is not a Subsidiary of the Italian guarantor shall, in any case and at any time, be limited to a ratio whereby the numerator is the aggregate outstanding amount under the Indenture at such time and the denominator is the aggregate of any amount outstanding



under all Secured Debt Documents (as defined in the Intercreditor Agreement) which have the benefit of a guarantee of the Italian guarantor at such time, multiplied by the lower of:

- (i) the net worth (*patrimonio netto*) of the Italian guarantor, as resulting from its latest approved financial statements, less the minimum capital pursuant to article 2463 of the Italian Civil Code (*capitale minimo*); or
- (ii) the principal amount borrowed by such other Debtor (as defined in the Intercreditor Agreement) under the Indenture, to the extent directly or indirectly on-lent to the Italian guarantor.

### ***Certain Other Additional Italian Legal Considerations, Including in Relation to Security Interests and Enforcement Thereof***

#### *Certain Considerations in Relation to the Guarantees and the Collateral*

Pursuant to Article 2412 of the Italian civil code, a joint stock company (*società per azioni*) may issue bonds (*obbligazioni*) for an amount not exceeding, on an aggregate basis, twice the sum of its share capital, legal reserve (*riserva legale*) and available reserves (*riserve disponibili*) as resulting from its latest approved financial statements. In determining the aggregate amount of bonds issued by a company, one must take into account also the aggregate amount of guarantees issued by the company in respect of bonds issued by other companies, including foreign companies. Should the Additional Notes be destined to be subscribed by entities which are not professional investors subject to prudential supervision (*investitori professionali soggetti a vigilanza prudenziale a norma delle leggi speciali*), the aforementioned limit would apply in respect of the guarantee obligations expressed to be assumed by the Italian guarantors and, should the amount of the guarantee obligations exceed the aforementioned limit, such obligations may be declared null and void. It is further disputed whether Article 2412 applies also to Italian limited liability companies (*società a responsabilità limitata*).

Pursuant to Article 5 of Italian Legislative Decree No. 28 of 4 March 2010 as amended by Law Decree No. 69 of 21 June 2013 (converted in law by Law 9 August 2013, No. 98) (the "Mediation Decree"), applicable to judicial proceedings started after the 20 September 2013, before bringing a judicial action in Italy covered by (and not exempted from) the Mediation Decree and relating to a dispute on civil and commercial matters, including banking and financial contracts (*contratti bancari e finanziari*), in front of an Italian court, the claimant must attempt to settle the relevant dispute through a mediation process in accordance with the provisions set out in the Mediation Decree. If the dispute does not fall under one of the categories excluded from the application of the Mediation Decree (such as, *inter alia*, injunctions proceedings (*procedimenti per ingiunzione*) and precautionary measures (*provvedimenti urgenti e cautelari*)), the preliminary attempt of the mediation qualifies a condition to the commencement of the judicial action (*condizione di procedibilità dell'azione*).

#### *Italian Usury Laws*

If at any time an Italian entity would be liable for the payment of remuneration of principal (including the rate of interest, default interest, fees, charges, expenses and other costs, but excluding tax costs) resulting in a breach of Italian law on usury (Law No. 108 of March 7, 1996) and any related implementing regulations, then the obligations of such entity in respect of the remuneration of principal shall be limited to the payment of remuneration of principal which is permitted under Italian law on usury and any related implementing regulations. Indeed, Article 1815 of the Italian Civil Code provides that if the remuneration exceeds the maximum rates permitted under the Italian law on usury, no remuneration is due to the creditor.

#### *Equitable Subordination of the Funding Loans*

Italian corporate law (Articles 2497-quinquies and 2467 of the Italian Civil Code) provides for rules to protect creditors against "undercapitalized companies" and provide for remedies in respect thereof. In this respect in case of a loan to a company by, respectively, (i) a person that, directly or indirectly, direct the company or exercises management and coordination powers over that borrowing company or (ii) a quotaholder in the case of a company incorporated in Italy as a *società a responsabilità limitata*, will be subordinated to all other creditors of that borrower and senior only to the equity in that borrower, if the loan is made when, also taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower's indebtedness as compared to its net assets, or the borrower was already in a financial situation requiring an injection of equity and not a loan (undercapitalization). Any payment made by the borrower with respect to any such loan within one year prior to its bankruptcy declaration would be required to be returned to the borrower.



As of the date hereof, there are few court precedents on the applicability of the foregoing provisions and limited guidance has been provided to date by the Italian courts on the features and extent of the undercapitalization requirement. Such precedents tend however to provide a broad interpretation of such provisions, affirming, *inter alia*, that Article 2467 does indeed apply, based on an interpretation by analogy, also to companies incorporated as joint stock company (*società per azioni*) (and not only limited liability companies (*società a responsabilità limitata*)), and to indirect form of financings, such as guarantees or finance granted by parties related to the quota holders of the relevant company.

## **Jersey**

### ***Insolvency***

Certain of the Guarantors, or expected future Guarantors, are incorporated under the laws of Jersey. Consequently, in the event of an insolvency of any such Guarantors, insolvency proceedings may be initiated in Jersey. There are two principal regimes for corporate insolvency in Jersey: *désastre* and winding-up (including summary winding-up, just and equitable winding-up and creditors' winding-up).

The principal type of insolvency procedure available to creditors under Jersey law is the application for an Act of the Royal Court of Jersey under the Bankruptcy (*Désastre*) (Jersey) Law 1990, as amended (the "Jersey Bankruptcy Law") declaring the property of a debtor to be "*en désastre*" (a "declaration"). On a declaration of *désastre*, title and possession of the property of the debtor vest automatically in the Viscount, an official of the Royal Court (the "Viscount"). With effect from the date of declaration, a creditor has no other remedy against the property or person of the debtor, and may not commence or continue any legal proceedings to recover the debt (except with the consent of the Viscount or the Royal Court).

Additionally, the shareholders of a Jersey company (but not its creditors) can instigate a winding-up of an insolvent company, which is known as a "creditors' winding-up" pursuant to Chapter 4 of Part 21 of the Companies (Jersey) Law 1991, as amended (the "Jersey Companies Law"). On a creditors' winding-up, a liquidator is appointed, usually by the creditors. The liquidator will stand in the shoes of the directors and administer the winding up, gather assets, make appropriate disposals of assets, settle claims and distribute assets as appropriate. After the commencement of the creditors' winding-up, no action can be taken or continued against the company except with the leave of the Royal Court. The corporate state and capacity of the company continues until the end of the winding-up procedure, when the company is dissolved. The Jersey Companies Law requires a creditor of a company (subject to appeal) to be bound by an arrangement entered into by the company and its creditors immediately before or in the course of its winding-up if (*inter alia*) three-quarters in number and value of the creditors acceded to the arrangement.

Alternatively, a Jersey company as the debtor may be wound up by the Royal Court (under Article 155 of the Jersey Companies Law) if the debtor has not been declared *en désastre* and the Royal Court is of the opinion that it is just and equitable, or expedient in the public interest, to do so. This procedure is less common than the principal corporate insolvency procedures of a creditors' winding-up or a *désastre*. The application to the Royal Court for such winding-up may be made by the debtor, a director, a shareholder, the Minister for Economic Development (the "Minister") or the Jersey Financial Services Commission (the "JFSC") on just and equitable grounds, or by the Minister or the JFSC on public interest grounds. The test to be applied by the Royal Court in considering the application is whether it holds the above opinion, as opposed to a test of solvency. If the Royal Court orders a debtor to be wound up, it may appoint a liquidator and direct the conduct of the winding-up in the court order.

### ***Transactions at an Undervalue***

Under Article 17 of the Jersey Bankruptcy Law and Article 176 of the Jersey Companies Law, the court may, on the application of the Jersey Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding-up, a procedure which is instigated by shareholders not creditors), set aside a transaction (including any Guarantee or security interest) entered into by a company with any person (the "other party") at an undervalue. There is a five-year look-back period from the date of commencement of the winding up or declaration of "*désastre*" during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction at an undervalue, the operation of the relevant time and the effect of entering into such a transaction with a person connected with the company or with an associate of the company.

## **Guarantee Waivers**

If the Courts of Jersey were asked to enforce a guarantee against a Jersey company, the Jersey company might be able to claim certain rights under Jersey law, known as the *droit de division* and the *droit de discussion*, being respectively essentially a right to require that any liability of that company under a guarantee be divided or apportioned with another person or persons and a right to require that the assets of the principal obligor or any other person be exhausted before any claim under the guarantee is enforced against the Jersey company. These guarantor rights can be waived by contract, as is the case under the Guarantees.

## **Preference**

Under Article 17A of the Jersey Bankruptcy Law and Article 176A of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding-up), set aside a preference (including any Guarantee or security interest) given by the company to any person (the "other party"). There is a 12-month look-back period from the date of commencement of the winding-up or declaration of "*désastre*" during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a preference, the operation of the relevant time and the effect of entering into a preference with a person connected with the company or with an associate of the company.

## **Extortionate Credit Transactions**

Under Article 17C of the Jersey Bankruptcy Law and Article 179 of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding-up), set aside a transaction providing credit to the debtor company which is or was extortionate. There is a three-year look-back period from the date of commencement of the winding-up or declaration of "*désastre*" during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction which is extortionate.

## **Disclaimer of Onerous Property**

Under Article 15 of the Jersey Bankruptcy Law, the Viscount may, within six months following the date of the declaration of *désastre* and under Article 171 of the Jersey Companies Law, a liquidator may within six months following the commencement of a creditors' winding up, disclaim any onerous property of the company. "Onerous property" is defined to include any moveable property, a contract lease or other immoveable property if it is situated outside of Jersey that is unsaleable or not readily saleable or is such that it might give rise to a liability to pay money or perform any other onerous act, and includes an unprofitable contract.

A disclaimer operates to determine, as of the date it is made, the rights, interests and liabilities of the company in or in respect of the property disclaimed and to discharge the company from all liability in respect of the property as of the date of the commencement of the creditors' winding-up or *désastre*, but does not, except so far as is necessary for the purpose of releasing the company from liability, affect the rights or liabilities of any other person. A person sustaining loss or damage as a result of a disclaimer is deemed to be a creditor of the company to the extent of the loss or damage and shall have standing as a creditor in the *désastre* or creditors' winding-up. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) in relation to the power to disclaim onerous property.

## **Fraudulent Dispositions**

In addition to the Jersey statutory provisions referred to above, there are certain principles of Jersey customary law (for example, a Pauline action) under which dispositions of assets with the intention of defeating creditors' claims may be set aside.

## **Floating Charges**

Under the laws of Jersey, a person incorporated, resident or domiciled in Jersey is deemed to have capacity to grant security governed by foreign law over property situated outside the Island of Jersey, but to the extent that any floating charge is expressed to apply to any asset, property and undertaking of a person incorporated, resident or domiciled in Jersey such floating charge is not likely to be held valid and enforceable by the Courts of Jersey in respect of Jersey *situs* assets.

### ***Administrators, Receivers and Statutory and Non-statutory Requests for Assistance***

The Insolvency Act 1986 (either as originally enacted or as amended, including by the provisions of the Enterprise Act 2002) does not apply in Jersey and receivers, administrative receivers and administrators (as provided for in the Insolvency Act 1986) are not part of the laws of Jersey. Accordingly, the Courts of Jersey may not recognize the powers of an administrator, administrative receiver or other receiver appointed in respect of Jersey *situs* assets.

However, under Article 49(1) of the Jersey Bankruptcy Law, the Jersey Royal Court may assist the courts of prescribed countries and territories in all matters relating to the insolvency of any person to the extent that the Jersey court thinks fit. These prescribed jurisdictions include the United Kingdom. Further, in doing so, the Royal Court may have regard to the UNCITRAL model law, even though the model law has not been (and is unlikely to be) implemented as a separate law in Jersey.

If the request comes from a prescribed country but not by a court-made request or from a non-prescribed country, then common law and principles of comity will be considered by the Royal Court by virtue of its inherent jurisdiction. If insolvency proceedings are afoot in another jurisdiction in relation to the company, the nature and extent of the cooperation from Jersey is likely to depend on the nature of the requesting country's insolvency regime. If the requesting country adheres to principles of territoriality, as opposed to universality, and, for instance, ring-fences assets for local creditors, full cooperation is highly unlikely. If, however, the jurisdiction applies similar fundamental principles to those applied in Jersey, the Royal Court's approach is more likely to be similar to the position where prescribed countries are involved.

In the case of both statutory and non-statutory requests for assistance, it should not be assumed that the UNCITRAL provisions will automatically be followed. That is a matter for the discretion of the Royal Court. It would also be wrong to assume for European countries that the position will be in accordance with EU Insolvency Regulation. Jersey does not form part of the European Community for the purposes of implementation of its directions. Accordingly, the EU Insolvency Regulation does not apply as a matter of Jersey domestic law and the test of center of main interests does not automatically apply as a result (although the Courts of Jersey may have regard to the concept of center of main interests).

### ***Security in Insolvency and Enforcement Procedure***

The obligations of the Issuer and other group companies under, inter alia, the Additional Notes are secured under Jersey SIAs (as defined below) over certain shares and intercompany loans. The Jersey SIAs for this transaction are governed by the Security Interests (Jersey) Law 1983 rather than the Security Interests (Jersey) Law 2012 because they were entered into in August 2013 before the Security Interests (Jersey) Law 2012 came into full force and effect on 2 January 2014. Therefore the paragraphs below describe the relevant statutory provisions under the Security Interests (Jersey) Law 1983 rather than under the Security Interests (Jersey) Law 2012.

Enforcement of Jersey security may be limited by bankruptcy, insolvency, liquidation, dissolution, re-organization or other laws of general application relating to or affecting the rights of creditors, but insolvency or bankruptcy alone will not render the security interests created pursuant to Jersey security interest agreements invalid or non-binding on the parties thereto or any liquidator of a Jersey company or the Viscount in a *désastre* of a Jersey company's property. This is subject to certain statutory exceptions, which include (but are not limited to):

- Article 159(4) of the Jersey Companies Law provides that after the commencement of a creditors' winding-up of a Jersey company no action shall be taken or proceeded with against the company except by leave of the Royal Court and subject to such terms as that court may impose; and
- Article 10(1) of the Jersey Bankruptcy Law provides that with effect from the date of a declaration of *désastre* against a person (the "bankrupt"), a creditor shall not have any other remedy against the property or person of the bankrupt or commence or (except with the consent of the Viscount or by order of the Royal Court) continue any action or legal proceedings to recover such creditor's debt.

In relation to any Jersey law security interest agreements (the "Jersey SIAs"), upon the occurrence of an Event of Default (as defined in each of the Jersey SIAs), the secured party may exercise the power of sale over the collateral specified in the Jersey SIAs and apply the sale proceeds in accordance with the provisions of Article 8 of the Security Interests (Jersey) Law 1983. The Security Interests (Jersey) Law 1983 does not allow for the secured party to take title to such collateral absolutely or to transfer the collateral to itself in settlement of the secured obligations other than in relation to collateral that is money or represented by a negotiable

instrument or moneys held in a bank account. Further, the Security Interests (Jersey) Law 1983 provides that such power of sale (including any appropriation of money, a negotiable instrument or moneys in a bank account) can only be exercised once the secured party has served notice on the debtor specifying the Event of Default and, where such default is capable of remedy, requiring the debtor to remedy it. In cases where the Event of Default is capable of remedy, the secured party cannot exercise the statutory power of sale until the expiry of a 14 day period following the service of such notice.

- In relation to the Jersey SIAs, under Article 6(4) of the Security Interests (Jersey) Law 1983, on a *désastre* of the property of a debtor, the Viscount may apply to the Royal Court of Jersey for an order vesting in him the rights of the secured party to the collateral subject to a security interest pursuant to the Security Interests (Jersey) Law 1983 (including the power of sale under such law) and directing that it be sold. The proceeds of sale, following deduction of the Viscount's costs (in accordance with his usual practice), will be applied in meeting the secured obligations under any security interests existing in respect of such collateral, according to the priority set out in the Security Interests (Jersey) Law 1983. In our view, the Viscount is most likely to make such application to the Royal Court of Jersey if the secured party is acting in a way that the Viscount considers detrimental to the conduct of the *désastre*, for example, by the secured party being dilatory in exercising his power of sale under the Security Interests (Jersey) Law 1983.
- In relation to the Jersey SIAs, on a *désastre*, the Viscount will automatically take title to the assets of the debtor, subject to any pre-existing rights in respect of such assets. This has the consequence that the Viscount may need to be involved to effect the exercise of the statutory power of sale of assets secured by way of possession pursuant to Article 2(3) of the Security Interests (Jersey) Law 1983. Article 32(7) of the Jersey Bankruptcy Law provides that, where any property of a debtor is subject to a security interest created pursuant to the Security Interests (Jersey) Law 1983, the proceeds of sale are to be applied in the manner set out in Article 8(6) of that Law. Article 8(6) provides for the costs and expenses of the sale to be deducted first from the proceeds of such sale, following which the proceeds would be applied to satisfy those obligations secured under the Security Interests (Jersey) Law 1983 in order of priority according to date of creation. However, where the Viscount is required to be involved in the sale of the secured assets because he holds title following a *désastre*, the Viscount has, as a matter of practice, sought to claim his fees (which are currently approximately 10% of the value of realized assets and 2.5% of the value of distributed assets) from such proceeds of sale.

In the enforcement of foreign security in Jersey, the Royal Court — properly applying the relevant provisions of foreign law — is likely to uphold (subject to the comments above) a claim that the relevant security interest (and other than in respect of any property or assets situated or deemed to be situated in Jersey) is binding on a Jersey company and any liquidator or other similar person having control of the assets of a Jersey company.

A transfer of shares in a Jersey company, not being a transfer made to or with the sanction of the liquidator of the company in a creditors' winding-up (insolvent winding-up) under the Jersey Companies Law, or the Viscount after the property of the company is declared to be *en désastre* under the Jersey Bankruptcy Law, and an alteration in the status of the company's members made after the commencement of the creditors' winding-up or after such declaration of *en désastre*, is void.

## Poland

### Insolvency

The Issuer's obligations under the Additional Notes are or will be guaranteed by certain Guarantor(s) incorporated in Poland (the "Polish Guarantors"). If a Guarantor's center of main interests is in Poland, then pursuant to the Polish Bankruptcy and Rehabilitation Law of February 28, 2003 (Dz.U. 2012.1112 as amended) (the "Polish Bankruptcy Law") and the EU Insolvency Regulation, the main bankruptcy proceedings of that Guarantor should be conducted before a Polish court. The EU Insolvency Regulation states that the place of the registered office is presumed to be the center of its main interests, in the absence of proof to the contrary. Consequently, in the event of the insolvency of a Polish Guarantor, bankruptcy proceedings would be governed by Polish law if its center of main interests is in Poland. Any judgment opening insolvency proceedings granted by a Polish court will be recognized in all other European Union member states (except for Denmark) from the time that judgment becomes effective in Poland. Recognition of these bankruptcy proceedings will not preclude the opening of secondary bankruptcy proceedings, as described in more detail above.

According to the Polish Bankruptcy Law, the grounds for declaring bankruptcy of a debtor which is a commercial company are as follows:

- (1) it does not fulfill its due and payable pecuniary obligations (*wymagalne zobowiązania pieniężne*), and/or
- (2) its obligations (*zobowiązania*) exceed the total value of its assets (*majątek*), even if it discharges those obligations on a current basis.

Each individual who has the right to represent the Polish Guarantor (whether alone or with others) is obliged to file a motion to declare the Polish Guarantor bankrupt within two weeks from the day the grounds listed above for declaring bankruptcy are met. In practice, it is difficult to determine the day from which the two week time limit for filing the motion should be counted.

Additionally, each of the Polish Guarantor's creditors may file for bankruptcy of the relevant Polish Guarantor.

There are two types of bankruptcy proceedings under Polish law:

"liquidation" bankruptcy, the principal aim of which is to satisfy creditors from the proceeds obtained from the sale of the debtor's assets (such bankruptcy would result in dissolution of the debtor's company, unless otherwise permitted by law); and

"arrangement" bankruptcy, which are essentially aimed at satisfying creditors through a settlement approved by the required majority of creditors and the court (such bankruptcy could allow the debtor to continue its business activity following the completion of these proceedings).

#### *Liquidation bankruptcy*

In the event of liquidation bankruptcy, the court appoints a bankruptcy receiver (*syndyk*) who takes over the management of the bankrupt's assets. From this moment on, the receiver administers the bankrupt entity's assets and represents the bankrupt entity. The bankrupt entity's assets become bankruptcy assets which will be liquidated to pay off creditors. The bankruptcy receiver prepares a list of the assets. On the declaration of bankruptcy, all of the debtor's debts become due and payable. Interest may be paid from the bankruptcy estate only for the period up to the date of the declaration of bankruptcy, unless the respective receivables are secured by mortgages, pledges, registered pledges, treasury pledges and/or maritime pledges, and satisfied from the security assets' proceeds.

#### *Arrangement bankruptcy*

The arrangement bankruptcy proceedings are conducted with respect to the debtor, where it has been credibly established that the creditors' claims will be satisfied in a greater extent than they would be in liquidation bankruptcy proceedings, unless, given the debtor's behavior to date, it is uncertain whether the arrangement will be fulfilled, which will not be relevant if the arrangement proposals include a liquidation arrangement.

In the event of arrangement bankruptcy proceedings, the court appoints a court supervisor (*nadzorca sądowy*) or an administrator (*zarządca*) instead of the bankruptcy receiver. A court supervisor is appointed in situations where the debtor will continue to manage its assets, whereas an administrator is appointed when the debtor is deprived of the right to manage its assets.

If the required majority of creditors vote in favor of an arrangement, the arrangement is accepted and then approved by the court, unless the arrangement is contrary to the rules of law or it is obvious that it will not be performed. The court's decision approving the arrangement may be appealed. The accepted arrangement is binding on (affects) all creditors whose receivables are covered by the arrangement in accordance with the provisions of the Polish Bankruptcy Law. Certain receivables are not covered (affected) by the arrangement. These include, inter alia:

- (1) receivables secured with mortgages, pledges, registered pledges, treasury pledges and/or maritime pledges (to the extent they can be satisfied from a security asset); a creditor whose claims are so secured may, however, consent to being subject to an arrangement;
- (2) receivables under derivative or repo transactions; and
- (3) receivables under employment contracts.



The rules under which the bankrupt entity's debts will be repaid are stipulated in the arrangement.

The most common arrangement involves the debtors paying only a portion of the debts and/or deferral of payments of such debts, and the bankrupt entity continuing its operations. It is also possible, however, to accept a liquidation arrangement where a determination is made as to how the bankrupt entity's assets and the business will be liquidated.

The court may change the manner of conducting the bankruptcy proceedings from the arrangement bankruptcy proceedings into the liquidation proceedings and vice versa, if the grounds for conducting a given type of the proceedings become known after the declaration of bankruptcy.

#### *Other bankruptcy-proceeding issues*

Once bankruptcy is declared (irrespective of its type), no mortgage, pledge, registered pledge, treasury pledge and/or maritime mortgage can be established over the bankrupt entity's assets in order to secure a receivable debt which arose before the declaration of bankruptcy. This does not apply to a mortgage where a motion to enter a mortgage was filed with the court at least six months before the filing of the bankruptcy petition.

Provisions of a contract which provide, in the event of a declaration of bankruptcy, for amendments to, or termination of, a legal relationship to which the bankrupt entity is a party, are invalid. A provision of a contract to which the bankrupt entity is a party which renders the achievement of the goal of the bankruptcy proceedings impossible or difficult is ineffective against the bankruptcy estate.

If court proceedings against the bankrupt entity are pending on the day of the bankruptcy declaration in any common courts, then such proceedings are in some cases discontinued. If proceedings were pending in which the bankrupt entity was the plaintiff, the receiver or the administrator replaces the bankrupt entity. If a court supervisor is appointed, it would act together with the bankrupt entity in the proceedings. If enforcement proceedings regarding the receivables included in the arrangement by operation of law, in the case of arrangement bankruptcy, and any receivables which may be filed within the bankruptcy proceedings, in the case of liquidation bankruptcy, were pending against the bankrupt entity on the date of the bankruptcy declaration, they are suspended with effect from the date of the bankruptcy declaration and the proceeds received are transferred to the bankruptcy estate after the decision on the declaration of bankruptcy becomes final.

All the arbitration clauses expire with effect from the date of the bankruptcy declaration and if arbitration proceedings were pending on the date of the bankruptcy declaration, such proceedings are discontinued.

Creditors have a right to submit their claims within the time limit indicated in a decision declaring bankruptcy. Claims supported by evidence of claims are usually admitted, i.e., included in the list of liabilities. If a filed claim is not included in the list, then a creditor has a right to appeal. The procedural requirements for submitting a claim are very formalistic.

Any debt (claim) payable in a currency other than zloty, regardless of whether the claim has fallen due or not, if put on the list of claims, will be expressed in zloty and the zloty equivalent is calculated on the basis of the average exchange rate of the National Bank of Poland prevailing on the date the bankruptcy court issues a decision on the debtor's bankruptcy. Accordingly, in the event of bankruptcy, creditors (e.g. holders of the Additional Notes) may be subject to exchange rate risk between such date when the bankruptcy court issues a decision on the debtor's bankruptcy and the date of receipt of any amounts in the course of bankruptcy liquidation.

In the case of liquidation bankruptcy, creditors under the Guarantee will be satisfied from the proceeds obtained from the sale of a Polish Guarantor's assets. When the repayment of receivables arising under the Guarantee becomes part of an arrangement in arrangement bankruptcy proceedings, there is a possibility that such receivables may be decreased on the basis of a decision of the creditors (such decisions would be subject to certain mandatory rules of the Polish Bankruptcy Law). The proceeds separated to satisfy a receivable whose repayment depends on a condition precedent will be handed over to the creditor if the creditor can prove that the condition has been fulfilled; otherwise this amount will be deposited with the court. The proceeds separated to satisfy a receivable which is not yet due and payable shall be deposited with the court.

As a rule, creditors' receivables towards a Polish Guarantor will be divided into five categories and creditors having their receivables in a lower ranking category may not obtain satisfaction before all receivables



in the higher ranking category have been fully satisfied. Any unsecured debt under bonds or credit falls into category four; however any unpaid interest under such bonds or credit are included in that category only for a period of one year before the bankruptcy declaration and for any previous period they fall into category five. The first three categories, which rank ahead of category four, concern, inter alia, the following receivables:

- (1) the costs of bankruptcy proceedings;
- (2) payments due under employment contracts for the period before the date of the declaration of bankruptcy; and
- (3) payments to the state, such as taxes and social security obligations for employees.

Within each category, each receivable is satisfied pro rata to the total value of receivables listed in such category.

If an asset owned by the bankrupt entity (i.e., a Polish Guarantor) is subject to a mortgage, pledge, registry pledge, treasury pledge or a maritime mortgage, then a creditor in whose favor the security has been established has a right to receive proceeds from the sale of that asset before the other creditors (with a few exceptions relating to mortgages and maritime mortgages such as, for instance, a certain portion of alimony claims or employee salaries). Where a number of mortgages have been established on a real estate which considerably exceed its value, creditors are repaid from such real estate according to their priority set out in the land and mortgage register maintained for that real estate.

It is not clear whether Polish courts, an administrator (*zarządca*), court supervisor (*nadzorca sądowy*) or a bankruptcy receiver (*syndyk*) (unless otherwise specifically stated, hereinafter the term “administrator” shall include each one of *zarządca*, *nadzorca sądowy* or *syndyk*) will give effect to provisions on subordination in intercreditor agreements. There is a risk that in the course of insolvency proceedings claims of all unsecured creditors will be discharged on a *pari passu* basis, irrespective of any provisions on subordination in intercreditor agreements, and the creditors who are the parties to such agreements may have to enforce their rights thereunder only outside of the insolvency proceedings (e.g. by claiming the return of particular amounts from other creditors who are the parties to such agreements).

### ***Security under Polish law in general***

Under Polish law, in general, all security interests, including, without limitation, mortgages and pledges, are considered accessory to the underlying secured claims, i.e. security interest, including in particular, without limitation, the mortgages and pledges automatically terminate if the secured claims are repaid, become void or terminate. See also “— *Parallel Debt*” below.

The establishment of certain security interests in Poland requires the execution of appropriate documents and entry into registers or filings with relevant courts. The establishment of the mortgages on real estate in Poland (if such is to be established) will require the execution of a deed before a Polish notary public and submission to and entry (registration) of each mortgage in the land and mortgage register held by the Polish court. The establishment of the pledges will require execution of the pledge agreements and, with respect to registered pledges, the entry (registration) of each registered pledge in the pledge register held by the Polish court.

The process of registration of mortgages or registered pledges may take up to several months and, until they are completed, the mortgages or registered pledges will not legally exist. Once they are registered, the statutory priority of the mortgages or registered pledges will be determined by the priority of the filing motions for the registration thereof. In respect of certain rights, such as shares and bank accounts, on which the registered pledges are to be established, the payment obligations under the Additional Notes will be secured additionally by financial pledges, which however may not give the same scope of rights to the secured creditors as the registered pledges.

As a general rule, the establishment of the pledges (registered and financial) or mortgages over the assets of a Polish Guarantor will not prevent third party creditors from initiating enforcement proceedings under the Polish Code of Civil Procedure to satisfy their claims from the assets encumbered by the pledges or mortgages. In such event, the Security Agent will be able to participate in the distribution of funds resulting from such enforcement and its claims will have priority over unsecured claims of third parties (except for certain court enforcement expenses, alimony claims and employee and pension claims) and claims secured with the lower ranking pledges or mortgages according to the order of priorities set forth in accordance with the Polish Code of Civil Procedure.

In respect of the registered or financial pledges, the Security Agent will have the right to satisfy claims secured with such pledges by assuming title to the pledged assets on the terms set out in the respective pledge agreements. Regarding the registered pledges, it would be also possible for the Security Agent to satisfy its claims by selling such assets in an auction made by a notary public or a court enforcement officer in priority of other creditors. In respect of the registered pledges on the so-called collection of assets, the Security Agent will have the right to satisfy claims secured with such pledges also by leasing the pledgor's enterprise to a third party or handing-over such enterprise to a receiver (a manager). However, if any third party creditor initiates enforcement proceedings to satisfy their claims from the assets encumbered by such pledges, the Security Agent will not be able to exercise any such specific method of enforcement of the registered pledges (by taking the title to the encumbered assets, by sale of such assets via an auction made by a notary public or a court enforcement officer, and in the event of pledges established on the collection of assets and rights, also by leasing the pledgor's enterprise to a third party or handing-over such enterprise to a receiver (a manager)), but will only be entitled to enforcement of such pledges via a standard court enforcement process which is usually considered as more time-consuming and more expensive for the secured creditor. Additionally, in insolvency proceedings, the bankruptcy receiver retains the discretion to prevent the Security Agent from acquiring title to the pledged assets or from sale of such assets via an auction made by a notary public or a court enforcement officer or may even refrain from liquidating (selling) such encumbered assets separately, and may sell the entire business of the bankrupt entity (entire bankruptcy estate) as a going concern, if he/she considers that such sale would be more commercially beneficial.

Polish law does not recognize the enterprise pledge/mortgage (i.e., one security interest over the whole business of an entity). In particular, without limitation, mortgages on real estate and pledges on movable assets or transferrable rights or the assignments of such rights are separate security interests from which the secured creditors have to satisfy separately. The result of this is that in the enforcement process the sale of the whole business of an entity that provided security interests over its assets as a going concern may be impossible in practice (this limitation does not apply to the bankruptcy receiver selling the entire business of the bankrupt entity (entire bankruptcy estate) as a going concern if such a sale would be more commercially beneficial — see above).

In the event of enforcement of a pledge on shares in a Polish company, not only do the Polish regulations relating to the pledge apply, but also the provisions of Polish company law with respect to transfer of shares have to be adhered to. Further, the pledge over shares will be of limited economic value when the company whose shares are pledged becomes insolvent.

The security established or that will be established for the benefit of the Security Agent in Poland includes or will include both financial pledges and registered pledges over the same assets. The co-existence of registered and financial pledges established as encumbrances over a single asset, securing the same claim, is not expressly provided for under the Polish law and we cannot assure you that the validity of the coexisting registered and financial pledges established in favor of the bank creditors and the Security Agent would not be subject to challenge, for example, under concepts of over collateralization and/or violation of principles of social co-existence.

It is prohibited under Polish law to make a covenant under which the owner of the real property undertakes to a creditor secured by mortgage on such real property that it shall not dispose of or encumber such property before the expiration of the mortgage.

The registered pledges secure claims up to a given amount stated in the respective pledge agreements.

The mortgages secure claims up to a given amount stated in the respective notarial deeds. If any such mortgage is considered as excessive (over-collateralization), the owner of the property so encumbered may request that the mortgage amount be reduced.

The Polish mortgage law was subject to a major amendment which entered into force on February 20, 2011. In particular, one of the changes was the introduction of the concept of over-collateralization to the Polish mortgage law. There is no case law or practice in respect of these new rules that clearly define the boundaries between a security which exceeds the value of the debt, but is still acceptable, and a security which must be recognized as over-collateralization. Therefore, it is uncertain how these new rules of the Polish mortgage law will be interpreted by Polish courts or how these new rules law and their interpretation will affect the other provisions of Polish law (for example, with respect to a registered pledge).

### ***Polish Law on the Acquisition of Real Estate by Foreigners***

Under the Polish Law on the Acquisition of Real Estate by Foreigners (*Ustawa o nabywaniu nieruchomości przez cudzoziemców*) of March 24, 1920 (Dz. U. 2014.1380), the acquisition of real estate in Poland or the acquisition of shares in a Polish company which owns real estate in Poland or any other action through which such Polish company becomes controlled by a foreign entity, in certain situations requires a permit from the Polish Ministry of Internal Affairs and Administration (an "MOI Permit"). The Polish Law on the Acquisition of Real Estate by Foreigners provides for a number of exemptions from the duty to obtain the MOI Permit. In particular, such duty is waived with respect to persons domiciled in countries which are members of the European Economic Area. However, these exemptions are not absolute and they do not apply to certain types of real estates. Pursuant to the provisions of the Law on the Acquisition of Real Estate by Foreigners, if a Polish Guarantor hold, or acquire, land which may be purchased by persons domiciled in European Union member states only subject to prior receipt of an MOI Permit, an acquisition, by the Security Agent or by other entities, of shares in such Polish Guarantor in the course of enforcement of the pledges established on such shares, or an acquisition, by the Security Agent or by other entities, of real estate in the course of enforcement of the mortgages, may also require such an MOI Permit.

Pursuant to the Polish Competition Act of February 16, 2007 (Dz.U.2007.50.331, as amended) (the "Competition Act"), taking control over an entrepreneur by way of, among other things, an acquisition of shares and/or any part of its assets and/or an acquisition of a right to exercise voting rights of shares in such entrepreneur, may require prior approval of the President of the Polish Competition Authority and/or antimonopoly authorities of other countries and/or the EC. Therefore, if the Security Agent enforces the registered pledges by way of an acquisition of title to the encumbered shares or other assets or by exercising the voting rights in respect of shares encumbered by pledges (registered or financial pledges), it may require prior approval(s) of the respective antimonopoly authority(ies). Violation of the Competition Act or other respective antimonopoly laws or regulations may result in fines, a duty to dispose of the acquired assets or other penalties.

### ***Perfection requirements***

Under Polish law, certain security interests, such as registered pledges and mortgages, will be validly established after the fulfillment of certain perfection requirements. The registered pledge will be established not on execution of a respective pledge agreement between the pledgor and the Security Agent, but on entering such pledge into the registry of pledges maintained by the pertinent court. There will be a time lapse between

- (1) filing the application to enter certain security interests; and
- (2) the fulfillment of additional perfection requirements.

For example, in the case of registered pledges, the time lapse typically takes from one to four weeks, in all cases depending on a given register and provided that the applications were properly filed and paid for. Moreover, the pledge over shares of the Polish Guarantors will become effective against the Polish Guarantor once the Polish Guarantor is notified of the establishment of such pledge.

### ***Parallel Debt***

As stated above, security interests under Polish law are considered accessory to the underlying secured claims. Such security interests cannot be held for the benefit of a third party by e.g. a pledgee which does not itself hold the secured claim. The holders of interests in the Additional Notes from time to time will not be parties to the security documents. In order to permit the holders of the Additional Notes from time to time to benefit from pledges granted to the security agent under Polish law, the Intercreditor Agreement provides for the creation of a "parallel debt." Pursuant to such parallel debt, the security agent becomes the holder of a claim towards each obligor equal to the sum of any amounts payable by that obligor under, in particular, the Additional Notes and the Indenture (the "Parallel Debt Obligation"). The pledges and other security interests governed by Polish law will directly and exclusively secure the Parallel Debt Obligation, and not the obligations under the Additional Notes or the Indenture, and such security interests will be established not for the benefit of holders of the Additional Notes directly but for the benefit of the Security Agent only. The Parallel Debt Obligation is in the same amount and payable at the same time as the obligations of the Issuer and the Guarantors under the Additional Notes and the Guarantees (the "Principal Obligations"), and any payment in respect of the Principal Obligations will discharge the corresponding Parallel Debt Obligation and any payment in respect of the Parallel Debt Obligation will discharge the corresponding Principal Obligations.

The financing structures and security interests based on the parallel debt are subject to risks under Polish law. Polish law does not regulate expressly parallel debt and there have been no decisions of the Supreme Court of Poland clearly recognizing such structures as parallel debt. There is some practice in Poland in respect of establishing the security interests to secure parallel debt: registration courts enter registered pledges and mortgages which secure parallel debts and in limited number of decisions the Supreme Court of Poland, in the reasoning of such decisions, indirectly recognized the parallel debt. However, in the Polish legal system decisions of courts, including the Supreme Court of Poland, are not source of law, the concept of parallel debt is not specifically regulated in Polish law and the practice relating to parallel debt is still limited. Therefore, we cannot assure you that such parallel debt, and thus the validity of the security interests securing such parallel debt, will not be subject to challenge.

### ***Effectiveness of the Guarantee and security in the case of a Polish Guarantor's bankruptcy***

Under the Polish Bankruptcy Law, the Guarantees and other security granted by the Polish Guarantors may be declared ineffective or deemed to be ineffective in certain situations. In particular, establishing security and paying an undue debt (*dlug niewymagalny*), which was given or made by the bankrupt entity within two months before filing the bankruptcy petition, are ineffective towards the bankruptcy estate. However, the receiver of such payment or beneficiary of such security may, by bringing an appropriate action or charge, seek the recognition of such acts as effective if at the time they were performed it was unaware of the existence of grounds for declaring bankruptcy of the payer or grantor of security.

A Guarantee or security granted within six months before the filing of the bankruptcy petition will be ineffective towards the bankruptcy estate, if they were granted by the bankrupt entity to its partners or shareholders, their representatives or spouses of the same, or affiliates, their partners or shareholders, representatives, or spouses of the same as well as with another company, in the event of either being the controlling company.

The Guarantees granted within one year before the filing of the motion for bankruptcy will also be deemed ineffective towards the bankruptcy estate if the value of the Guarantees significantly exceeded the consideration for a Polish Guarantor, or there was no consideration for a Polish Guarantor. It is not entirely clear under the Polish Bankruptcy Law whether the Guarantees are subject to such clawback provisions. Also, mortgages, pledges, registered pledges or maritime mortgages established in the year preceding the bankruptcy declaration may be declared ineffective towards the bankruptcy estate by the judge commissioner if the bankrupt entity was not a personal debtor of the secured creditor and did not obtain any benefit whatsoever in connection with the establishment of such security interest. This rule shall apply respectively in situations where an encumbrance was established in exchange for a manifestly low (*niewspółmiernie niskie*) consideration. Regardless of the value of the consideration received by the bankrupt, the judge-commissioner will declare encumbrances ineffective towards the bankruptcy estate if they secure debts of the bankrupt company's partners or shareholders, their representatives or spouses of the same, or affiliates, their partners or shareholders, representatives, or spouses of the same as well as with another company, in the event of either being the controlling company.

The transaction security (such as mortgages, pledges and security assignments of rights) and the Guarantees may be affected by the provisions of Art. 527 of the Civil Code pursuant to which a transaction effected by a debtor to the detriment of its creditors, i.e., where the debtor became insolvent or became insolvent to a greater extent as a result of the transaction and a third party has gained a benefit, each of the creditors (or, if the debtor is declared bankrupt, the relevant bankruptcy officer) may demand that the transaction be declared ineffective if:

- (1) the debtor consciously acted to the creditors' detriment, and
- (2) the third party knew or, had it acted with due diligence, could have known that the debtor was acting to the detriment of its other creditors (and the third party's knowledge that the debtor consciously acted to the creditors' detriment is presumed if the entrepreneur who received the benefit as a result of the transaction with the debtor remained in a permanent economic relationship with such debtor).

In addition, if the Polish Guarantor's entering into a given agreement made it wholly or partially impossible to satisfy a third party's claim, such third party may request that the court declare such an agreement ineffective towards that party, provided the Polish Guarantor and the other party to the agreement knew of the third party's claim or if the agreement was for no consideration.

The assets, receivables and other rights transferred by the debtor for security purposes under the assignment agreements will not be excluded from the bankruptcy estate on the debtor's bankruptcy. Instead, assets transferred under such assignment agreements, and claims secured by such assignment agreements, will be treated accordingly as assets being subject to, and claims secured by, the pledge.

In the event that a Polish Guarantor is declared bankrupt, the receivable debts which are secured by the pledges or mortgages established over the assets of the Polish Guarantor are placed (either upon a motion of a creditor or ex officio) on the list of receivables. The consequences for such security differ depending on the way the insolvency proceedings are carried out.

In the case of the arrangement bankruptcy proceedings claims secured on the bankrupt entity's assets by mortgage, pledge, registered pledge or transfer of title to movables, receivables or other rights, are not subject to arrangement to the extent covered by the value of assets on which security was established. Notwithstanding that, a creditor whose claims are so secured may consent to being subject to arrangement. If the creditor consents to its claims being subject to the arrangement, the above rights remain in force; however, such rights secure the claims in the amount and on the terms as may be changed (affected) by the arrangement. The arrangement does not infringe the rights resulting from the mortgage or pledges, if they were established on the assets of a third party.

In the case of the liquidation bankruptcy proceedings, all assets of the debtor, including these on which the mortgages and pledges were established, are included in the bankruptcy estate and are, in general (see the next paragraph), subject to the sale in the course of the insolvency proceedings. Sums obtained from the liquidation (sale) of assets encumbered with mortgages and/or pledges, less the costs of liquidation (sale) of the said assets and other costs of insolvency proceedings capped at 10% of the sum received from the liquidation of the security asset are allocated to satisfy the creditors whose claims were secured on these assets. Amounts remaining after satisfaction of these claims are included in the funds of the bankruptcy estate.

#### ***Other limitations on Validity and Enforceability of the Guarantees and security***

Under Polish law, financial assistance restrictions apply to joint-stock companies. Financial assistance is understood very broadly as providing by a company, directly or indirectly, any financing for the purposes of the acquisition of shares issued by that company, inter alia by granting of credit, loan, guarantee or security. The company may provide such financial assistance only if all of the following conditions are specified:

- (1) the financing is provided by a joint-stock company on arm's length basis, including, without limitation, with respect to interest payable to the company and security established in favor of the company and after conducting by the company of a due diligence in respect of the debtor's financial position;
- (2) the acquisition of the company's shares, for the purposes of which the financing is provided, is made at a fair price;
- (3) the financing could only be granted up to the amount of the joint-stock company's reserve capital created for that purpose; such reserve capital can only be created out of funds which, pursuant to the applicable rules of Polish law, can be paid out as dividends;
- (4) the joint-stock company's general meeting must adopt in advance an appropriate resolution, which must be based on a management board's report, which must:
  - (a) indicate the grounds and objectives for providing such financing;
  - (b) confirm that the financing is in the joint-stock company's interests; and
  - (c) set out terms and conditions for such financing, including the security interest granted to the joint-stock company, a justified price as well as the risks and impact on the joint-stock company's solvency; and
- (5) the management board's report must be filed with the registry court and published.

These financial assistance restrictions may affect the Guarantees and security granted by a Polish Guarantor which has the legal form of a joint-stock company (*spółka akcyjna* or *S.A.*). Additionally, in the Polish legal doctrine opinions are expressed that the financial assistance rules may apply (indirectly) to limited liability companies (*spółka z ograniczoną odpowiedzialnością* or *sp. z o.o.*) if they are subsidiaries of a joint-stock company which is subject (directly) to financial assistance rules, and therefore there is a risk that



provision of financing by a subsidiary of a joint-stock company (even if such subsidiary is not a joint-stock company but e.g. a limited liability company) would be considered as indirect financial assistance provided by such joint-stock company.

Polish law does not provide specific limitations on financial assistance with respect to a limited liability company. However, a Polish limited liability company should comply with both the general corporate laws and the insolvency laws which may provide certain limitations on the enforcement of the Guarantees.

In accordance with Art. 189 sec. 2 of the Polish Commercial Companies Code, shareholders of a limited liability company may not receive any payments out of a company's assets which are necessary for the share capital to be fully paid up. A more general Art. 189 sec. 1 prohibits the return of capital to such shareholders. In relation to a Polish joint-stock company, Art. 344 sec. 1 of the Polish Commercial Companies Code stipulates that no payments for shares may be reimbursed to a shareholder, either fully or partially, except as allowed by the law for the duration of the company's existence. In the Polish legal doctrine opinions are expressed that in certain situations, for example when the financial standing of a company entering into a transaction is poor and the shareholder of such a company benefits from a transaction, it may constitute in fact the return of capital to the shareholder. A breach of these rules results in the shareholders' obligation to return the payments up to the amount of the share capital. Therefore, any guarantee under the Guarantees by any of the Guarantors incorporated under Polish law in such legal form could be affected, or could be set aside, to the extent that it would result in a reduction of its assets necessary to fully cover its share capital in breach of Art. 189 sec. 2 of the Polish Commercial Companies Code, may be considered a return of capital prohibited by Art. 189 sec. 1 of the Polish Commercial Companies Code, or a payment prohibited by Art. 344 sec. 1 of the Polish Commercial Companies Code.

Under the Guarantees, the obligations of the Guarantors incorporated under Polish law are also subject to the application of laws on bankruptcy and insolvency, and the laws on rehabilitation proceedings, as set out in the Polish Bankruptcy Law. Specifically, pursuant to Art. 11 sec. 2 of the Polish Bankruptcy Law, a corporate entity is deemed to be insolvent if its obligations (*zobowiązania*) exceed the value of its assets (*majątek*), even if it discharges those liabilities on a current basis. Given certain legal controversies regarding the application of this rule (especially to future and contingent liabilities), and in order to mitigate the possibility that a Polish Guarantor could be declared bankrupt under this rule, the liability of certain Guarantors incorporated under Polish law on account of payments under the Guarantees may be limited to the amount equivalent to the Polish Guarantor's net positive assets.

## **United Kingdom**

On the assumption that the Issuer and those Guarantors and providers of Collateral which are incorporated in England and Wales (each, a "U.K. Obligor"), maintain their respective registered offices in and conduct their business and the administration of their interests on a regular basis in and from England and Wales. On the basis of these factors, an English court may conclude that the U.K. Obligors have their "center of main interests," within the meaning of the EU Insolvency Regulation, in England and therefore insolvency proceedings in England constituting "main insolvency proceedings" under article 3(1) of the EU Insolvency Regulation may be commenced in respect of a U.K. Obligor. Such proceedings comprise, principally, liquidation and administration.

### **Overview of U.K. Insolvency Proceedings**

#### *Liquidation*

##### *Priority of Claims in a U.K. Liquidation*

Liquidation is a proceeding where the relevant company's assets are sold, the proceeds distributed to creditors and the company dissolved. Upon liquidation of any U.K. Obligor, the order of priorities is such that debts due by it to any holders of fixed charges over U.K. assets are paid first out of the realization proceeds of assets subject to such fixed charges (subject to the prior payment of the costs of preservation and realization of the fixed charge assets). Where there are floating charges, liquidation expenses (discussed further below), preferential creditors, and unsecured creditors to the extent of the "ring-fenced" fund (discussed further below) may (to the extent the other assets of the U.K. Obligor are insufficient to discharge them) be paid out of the proceeds of realization of assets subject to those floating charges in priority to payments to creditors secured by virtue of those floating charges. Thereafter, any debts owing to holders of the floating charges would be paid to the extent they are secured by that charge. The categories of preferential debts include certain amounts payable in respect of occupational pension schemes relating to contributions due but unpaid



and employee remuneration up to a specified amount. A certain part of the net proceeds of the realization of the assets covered by a floating charge (up to a maximum of £600,000) would be “ring-fenced” and made available pro rata to unsecured creditors. Unsecured debts which are not preferential debts would be paid from the proceeds of realizations of unsecured assets (if any) and, after the secured liabilities have been met, from the proceeds of realization of relevant secured assets.

As discussed further below, certain of the security interests over U.K. assets expected to be created in favor of the security agent will be expressed to be fixed charges, but there is no certainty that the security will take effect as a fixed charge and it may well take effect as a floating charge. Where no security is provided to secure the obligations of a U.K. Obligor, any principal debt or guarantee obligation of that U.K. Obligor will be unsecured.

#### *Liquidation Expenses*

The Insolvency Act 1986 (the “U.K. Insolvency Act”) broadly states that in a liquidation of a company, where the assets available for payment of its general creditors (excluding any amount ring-fenced for unsecured debts as described above) are not sufficient to meet the liquidation expenses, certain specified liquidation expenses can be claimed out of the realization proceeds of assets subject to a floating charge and, for these purposes, rank ahead of preferential debts and floating chargees’ claims. In the case of litigation expenses, this is subject to rules restricting the application of this provision to certain litigation expenses approved by the floating chargee and any preferential creditors or the court. Consequently, realizations by secured creditors upon the enforcement of floating charges securing any principal or guarantee obligation to the Noteholders could potentially be reduced by the amount of any liquidation expenses. If any fixed security is validly created, any claims of creditors holding such fixed security would rank ahead of any such liquidation expenses. The creditors holding the security would though, pay the expenses of realizing their security directly to the liquidator or other person (such as a receiver or security trustee) who disposed of the secured assets on their behalf.

#### *Administration*

Administration is an insolvency procedure under the U.K. Insolvency Act pursuant to which a company may be reorganized or its assets realized under the protection of a statutory moratorium. A company may be put into administration either pursuant to a court order or via an out-of-court process. Broadly speaking (and subject to specific conditions), a company can be placed into administration at the application of, among others, the U.K. Obligor itself, its directors or one or more of its creditors (including contingent and prospective creditors). A holder of a qualifying floating charge over the assets of the U.K. Obligor also has the right to appoint an administrator. In addition, he has the right to intervene in an application made for administration proceeding by another person by nominating an alternative administrator or, in certain very specific circumstances, by blocking the appointment altogether by the appointment of an administrative receiver.

An administrator may only be appointed (either by a court or via the out-of-court process) if there is sufficient evidence (which varies depending on whether the method of appointment) including that (a) the company proposed to be the subject of the order is or is likely to become “unable to pay its debts” and (b) that the administration is reasonably likely to achieve one of the statutory objectives of administration. Administration proceedings are supposed to achieve one of three objectives that must be considered successively: rescuing the company as a going concern or, if that is not reasonably practicable, achieving a better result for the company’s creditors as a whole than if the company went into immediate liquidation or, if neither of those objectives is reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby, realizing property to make a distribution to secured or preferential creditors.

Broadly speaking, an interim moratorium comes into effect when an application for an administration order (in the case of court appointment) or a notice of intention to appoint an administrator (in the case of an out of court appointment) is made. At the commencement of the appointment of an administrator, a full statutory moratorium applies Pursuant to both an interim and full moratorium of a U.K. Obligor, no creditor could take any action against that U.K. Obligor, including, among other things, commencing a legal process against the U.K. Obligor, winding up the U.K. Obligor or enforcing security or repossessing goods in the U.K. Obligor’s possession under a hire purchase or similar agreement, without the permission of the court or (in the case of a full moratorium) the consent of the administrator.

However, certain creditors of a company in administration may be able to realize their security over that company’s property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the

moratorium in relation to a “security financial collateral arrangement” (generally, cash or financial instruments such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003.

Subject to the above points, were a U.K. Obligor to enter administration, it is possible that the security granted by it may not be enforced while it is in administration. Similarly, whilst any principal debt or guarantee obligation owed by it would be accelerated or demanded, no meaningful enforcement action could be taken in respect of any failure to pay.

#### *Expenses of the administration*

Broadly speaking, expenses that qualify as expenses of the administration (and which include, among others, expenses properly incurred by the administrator in performing his functions in the administration and necessary disbursements incurred in the course of the administration) enjoy priority status, in a similar way to liquidation expenses (as described above) although the categories of expenses are slightly different. In particular, expenses of the administration can be claimed out of the realization proceeds of assets subject to a floating charge and, for these purposes and, to the extent the company's other assets are insufficient to discharge them, rank ahead of preferential debts and floating chargees' claims.

Administration can be used as a proceeding in which to make distributions to creditors like a liquidation in which case claims of creditors may be submitted to the administrator, although court approval generally will be required before he can make a distribution to unsecured creditors. Time limits may be set for receipt and processing of claims before interim dividends are paid.

#### *Small Companies Moratorium*

Certain “small companies” may, for the purposes of putting together proposals for a company voluntary arrangement, seek court protection from their creditors by way of a “moratorium” for a period of up to 28 days, with the option for creditors to extend this protection for up to a further 2 months (although the Secretary of State for Business, Enterprise and Regulatory Reform may, by order, extend or reduce the duration of either period).

A “small company” is defined for these purposes by reference to whether the company meets certain tests relating to a company's balance sheet, total turnover and average number of employees in a particular period (although the Secretary of State for Business, Enterprise and Regulatory Reform may, by order, modify the moratorium eligibility qualifications and the definition of a “small company”).

During the period for which a moratorium is in force in relation to a small company, among other things, no winding up may be commenced (except in very limited circumstances, for example where the U.K. Secretary of State considers it to be in the public interest to do so) or administrator or administrative receiver appointed to that company, no security created by that company over its property may be enforced (except (1) with the leave of the Court or (2) in the case of existence of eligible financial collateral arrangements under the Financial Collateral Arrangements (No 2) Regulations 2003 whereby the requirement to get a court order before enforcing security over small companies will not apply), no other proceedings or legal process may be commenced or continued in relation against that company (except with the leave of the Court) and the company's ability to make payments in respect of debts and liabilities existing at the date of the filing for the moratorium is curtailed. Certain small companies may, however, be excluded from being eligible for a moratorium (although the Secretary of State for Business, Enterprise and Regulatory Reform may, by regulations, modify such exclusions). As the law currently stands, companies that on the date of filing are party to an agreement which is or forms part of a capital market arrangement are excluded from being eligible for this small companies moratorium.

#### *Disposal of secured assets while subject to insolvency proceedings*

If a company is the subject of (i) a statutory moratorium as a result of either entering administration or (ii) the small companies moratorium, and either (x) the holder of security created by that company (other than financial collateral as above described) consents or (y) if the Court gives leave, the relevant company or its administrator may dispose of the secured property as if it were not subject to the security. In addition an administrator can dispose of assets subject to a floating charge without seeking the consent of the chargeholder or the leave of the Court.

Where the property in question is subject to a security which was created as a floating charge, the chargee will have the same priority in respect of any property of the company directly or indirectly

representing the property disposed of as he would have had in respect of the property subject to the security. Where the security in question is other than a floating charge, it shall be a condition of the chargee's consent or the leave of the Court that the net proceeds of the disposal shall be applied towards discharging the sums secured by the security.

### *Possible challenges to security interests*

#### *Vulnerable transactions*

Under English insolvency law, a liquidator or administrator of a company would have certain powers to apply to court to challenge transactions entered into by a U.K. Obligor if that U.K. Obligor is unable to pay its debts at the time of the transaction or becomes unable to pay its debts as a result of the transaction. A U.K. Obligor will be deemed to be unable to pay its debts if it is insolvent on a "cash flow" basis (i.e., unable to pay its debts as they fall due), or if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account contingent and prospective liabilities).

A transaction might be challenged as a transaction at an undervalue if it involved the U.K. Obligor making a gift or otherwise entering into a transaction on terms that it received no consideration, or the U.K. Obligor received significantly less value than under the transaction it gave in return. Where an undervalue transaction is proved, the court has powers to make any order it thinks fit in order to restore the position to what it would have been had the U.K. Obligor not entered into that transaction. A court should not intervene, however, if it is satisfied that the U.K. Obligor entered into the transaction in good faith and for the purposes of carrying on its business and if, at the time it did so, there were reasonable grounds for believing the transaction would benefit the U.K. Obligor. The court can set aside transactions at an undervalue entered into by the U.K. Obligor within a period of two years ending with the onset of its insolvency (as this date is more specifically defined in the U.K. Insolvency Act). In principle, both a Guarantee granted by a U.K. Obligor or any Collateral provided by it could be challenged as a transaction at an undervalue.

A transaction might also be challenged as a preference where a U.K. Obligor has done something or suffered something to be done which has the effect of putting a creditor, surety or guarantor in a better position than the one that person would have been in the event of the U.K. Obligor going into insolvent liquidation. If a transaction is found to have given a preference to a creditor, surety or guarantor of the company then the court may make such order as it thinks fit for restoring the position to what it would have been if the company had not given that preference. A court should not intervene however when the U.K. Obligor, in deciding to give the preference, was not influenced by a desire to put the person who was given the preference in a better position in the event of insolvent liquidation of the U.K. Obligor. If the preference is given to a person connected to the U.K. Obligor (other than an employee), the court can look back and set aside those preferences entered into in the period of two years ending with the date of the onset of the U.K. Obligor's insolvency. If the person is not connected to the U.K. Obligor, the court can only look back and set aside those preferences entered into in the period of six months ending on the onset of the U.K. Obligor's insolvency.

Further, an administrator or a liquidator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions entered into by a U.K. Obligor up to three years before the day on which the U.K. Obligor entered into administration or went into liquidation. A transaction is "extortionate" if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing. If a transaction entered into by a U.K. Obligor is found to be an extortionate credit transaction the court can make one or more orders specified in the U.K. Insolvency Act, including an order setting aside the whole or any part of any obligation created by the extortionate credit transaction, an order varying the terms of the extortionate credit transaction or the terms on which any security for the extortionate credit transaction is held, or an order requiring any person to pay to the administrator or liquidator any sums paid to that person, by virtue of the extortionate credit transaction, by the U.K. Obligor.

The U.K. Insolvency Act provides that, in certain circumstances, a floating charge granted by a company during the "relevant time" may be invalid in whole or in part if certain conditions are met. In the case of a floating charge which is created in favor of a person that is not connected to a U.K. Obligor, the relevant time is deemed to be the period of 12 months ending with the onset of the U.K. Obligor's insolvency provided that at the time the charge was granted the U.K. Obligor was unable to pay its debts or became unable to pay its debts as a result of the transaction in respect of which the floating charge was granted. If the floating charge

is created in favor of a person connected to the U.K. Obligor, the relevant look back period is a period of two years ending with the onset of insolvency.

As a result of the rights to challenge described above, in the event that a U.K. Obligor becomes unable to pay its debts within a period of up to two years of the issuance of the Additional Notes (or three years if the Additional Notes or any related transaction are found to be an extortionate credit transaction), an administrator or liquidator is appointed and the conditions contemplated in the relevant legal provisions are met, the provision of the relevant Guarantees and Collateral may be challenged by a liquidator or administrator, or a court may set aside the granting of the Guarantees and Collateral as invalid.

#### *Recharacterization of fixed security interests*

There is a possibility that a court could find that the fixed security interests expressed to be created by the security documents governed by English law properly take effect as floating charges as the description given to them as fixed charges is not determinative. Whether the purported fixed security interests will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the secured party has the requisite degree of control over the U.K. Obligor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the holder of the security, in practice. Where a U.K. Obligor is free to deal with the assets that are the subject of a purported fixed charge in its discretion and without the consent of the chargee, the court would be likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

While recharacterization is a risk for all attempts to create fixed security, it is a particular risk in relation to attempts to create fixed security over receivables. This is because even if a company purports to grant fixed security over its receivables, it will likely retain, in practice, the ability to deal with its receivables in its discretion and without the consent of the chargee.

If any fixed security interests are recharacterized as floating security interests, the claims of (i) any unsecured creditors of the relevant U.K. Obligor in respect of that part of the U.K. Obligor's net property which is ring fenced (see explanation about ring fencing above); and (ii) certain statutorily defined preferential creditors of the U.K. Obligor may have priority over the rights of the security agent to the proceeds of enforcement of such security. In addition, as mentioned above, the expenses of a liquidation or administration would also rank ahead of the claims of the security agent as floating charge holder.

#### *Limitation on enforcement*

The grant of a Guarantee or Collateral by any of the U.K. Obligors in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that the above do not allow such an action, there is the risk that the grant of the guarantee and the subsequent security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with a U.K. Obligor in good faith, however the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for each U.K. Obligor in question by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the U.K. Obligor for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

#### *Equitable share charge*

The fixed charges over shares granted by certain U.K. Obligors are equitable charges, not legal charges. An equitable charge arises where a chargor transfers the beneficial interest in the shares to the chargee but retains legal title to the shares. Remedies in relation to equitable charges may be subject to equitable considerations or are otherwise at the discretion of the court.

#### *Account banks' right to set-off*

With respect to the charges over cash deposits (each an "Account Charge") granted by a U.K. Obligor over any of its bank accounts, the banks with which some of those accounts are held (each an "Account Bank") may have reserved their right at any time (whether prior to or upon a crystallization event under the Account Charge) to exercise the rights of netting or set-off to which they are entitled under their cash pooling

or other arrangements with that U.K. Obligor. As a result, and if the security granted over those accounts is merely a floating (rather than fixed) charge, the collateral constituted by those bank accounts will be subject to the relevant Account Bank's netting and set-off rights with respect to the bank accounts charged under the relevant Account Charge. Once the floating charge has crystallized and converted into a fixed charge (as it would on enforcement or the occurrence of certain insolvency events with respect to the relevant U.K. Guarantor) the collateral will no longer be subject to the relevant Account Bank's netting and set-off rights, since the Account Bank will only be entitled to exercise its netting and set-off rights whilst the bank accounts are subject only to floating security.

#### *Transaction defrauding creditors*

Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purpose of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim which that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. An application to the court for an order to set aside the transaction may be made by an administrator, a liquidator and, subject to certain conditions, the U.K. Financial Conduct Authority and the U.K. Pensions Regulator. In addition, any person who is, or who is capable of being, prejudiced by the transaction may (with the leave of the court in the case of a company in administration or liquidation) also bring an application to set aside such transaction. The challenge must be made within 12 years (or in the case of claims for a sum of money, 6 years) from the date that the cause of action arose. The relevant company does not need to be insolvent at the time of the transaction. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a person other than the debtor in good faith, for value and without notice of the relevant circumstances and will not require a person who received a benefit from the transaction in good faith, for value and without notice of the relevant circumstances, to pay any sum unless such person was a party to the transaction.

#### *Post-petition interest*

Any interest accruing under or in respect of the Additional Notes or the amount due under a guarantee given by a U.K. Obligor in respect of any period after the commencement of administration or liquidation proceedings would only be recoverable from any surplus remaining to the U.K. Obligor after the payment of all other debts proved in the proceedings (including accrued and unpaid interest on such debts up to the date of the commencement of the proceedings), provided that such interest may, if there are sufficient realizations from the Collateral, be discharged out of the security recoveries.

#### *Dispositions in Winding-up*

Other than set out in this section, any disposition of a U.K. Obligor's property made after a compulsory winding-up has commenced is, unless the court orders otherwise, void. The compulsory winding-up of a company is deemed to commence when a winding-up petition is presented by a creditor against the company, rather than the date that court makes the winding-up order (if any). A disposition made: (a) by a secured party as a result of the enforcement of security held by it; and (b) after the presentation of a winding-up petition, will not be void merely because a winding-up petition has already been presented, as such a disposition would be made by the secured party (or its nominee) and not by the company that is the subject of the winding-up petition.

#### *Foreign currency*

Where creditors of a U.K. Obligor are asked to submit formal proofs of claim for their debts, and the debt is payable in a currency other than pounds sterling (such as any debt arising under the Additional Notes or any guarantee thereof) the amount of the debt must be converted into pounds sterling at the "official exchange rate" prevailing on the date the company went into liquidation or administration. This is the case regardless of any contrary agreement between the parties. The "official exchange rate" for these purposes is the middle market rate in the London Foreign Exchange Market at the close of business, as published for the date in question. In the absence of any such published rate, foreign currency debts are converted into pounds sterling at such rate as the court determines.



## LISTING AND GENERAL INFORMATION

### Listing

Application has been made for the Additional Notes to be listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market operated by the Irish Stock Exchange in accordance with the rules and regulations of such exchange. There can be no assurance that the Issuer will be able to effect such admission of the Additional Notes to trading on the Global Exchange Market. Notice of any optional redemption, change of control or any change in the rate of interest payable on the Additional Notes will be published on the Irish Stock Exchange official website ([www.ise.ie](http://www.ise.ie)).

It is expected that the total expenses relating to the application for admission of the Additional Notes are listed onto the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market will be approximately €2,940.

For as long as the Additional Notes are listed on the Official List of the Irish Stock Exchange and are traded on the Global Exchange Market thereof and the rules of such exchange shall so require, copies of the following documents may be inspected, in electronic form and obtained free of charge at the specified office of the paying and transfer agent in Ireland during normal business hours on any weekday:

- the Issuer's and VEIL's organizational documents;
- the most recent audited consolidated financial statements for fiscal years and any quarterly interim consolidated financial statements prepared by the Issuer;
- the Issuer's and VEIL's annual reports for the two most recent years;
- the Indenture relating to the Notes (which includes the form of the Notes); and
- the Guarantees relating to the Additional Notes.

After giving effect to the Transactions, each Guarantor will be a wholly owned subsidiary of the Issuer and each guarantee of the Additional Notes will be full and unconditional. The Consolidated Financial Statements included in this offering memorandum include both Guarantor and non-Guarantor subsidiaries.

McCann FitzGerald Listing Services Limited is acting solely in its capacity as listing agent for the Issuer (and not on its own behalf) in connection with the application to the Irish Stock Exchange.

### Clearing Information

The Additional Notes have been, or will be, accepted for clearance through the facilities of Euroclear and Clearstream. Upon issue the Additional Notes will be represented by a Regulation S Global Note with the following common code of 113543728 and ISIN of XS1135437280 and by a Rule 144A Global Note with the following common code of 113543329 and ISIN of XS1135433297.

### Legal Information

#### ***Legal Information about the Issuer***

The Issuer was formed as a private limited company under the laws of England and Wales on May 2, 2013 and was reregistered as a public limited company organized under the laws of England and Wales on July 1, 2013, with a company number 08514872. The Issuer's principal executive offices are located at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS, United Kingdom.

The Issuer has obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Additional Notes.

#### ***Legal Information about the Guarantors***

A3 Cinema Limited is a private limited company organized under the laws of England and Wales on June 16, 2004, with registered number 5155508. A3 Cinema Limited's registered office is at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS United Kingdom.

Apollo Cinemas Limited is a private limited company organized under the laws of England and Wales on February 2, 2002, with registered number 4367985. Apollo Cinemas Limited's registered office is at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS United Kingdom.



Aurora Cinema (Ireland) Limited is a private limited company organized under the laws of the Republic of Ireland on July 23, 2003, with registered number 373869. Aurora Cinema (Ireland) Limited's registered office is at 70 Sir John Rogerson's Quay, Dublin 2, Ireland.

Aurora Cinema Limited is a private limited company organized under the laws of England and Wales on August 29, 2003, with registered number 04779767. Aurora Cinema Limited's registered office is at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS United Kingdom.

Aurora Holdings Limited is a private limited company organized under the laws of England and Wales on July 21, 2003, with registered number 04839119. Aurora Holdings Limited's registered office is at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS United Kingdom.

CinemaxX Holdings GmbH (formerly, CinemaxX Aktiengesellschaft) is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of the Federal Republic of Germany, registered in the commercial register of the local court of Hamburg under registered number HRB 131604. CinemaxX Holdings GmbH's registered office is at Valentinskamp 18-20, 20354 Hamburg, Germany.

CinemaxX Cinema GmbH & Co. KG is a limited partnership (*Kommanditgesellschaft*) organized under the laws of the Federal Republic of Germany, registered in the commercial register of the local court of Hamburg under registered number HRA 97892. CinemaxX Cinema GmbH & Co. KG's registered office is at Valentinskamp 18-20, 20354 Hamburg, Germany.

CinemaxX Entertainment GmbH & Co. KG is a limited partnership (*Kommanditgesellschaft*) organized under the laws of the Federal Republic of Germany, registered in the commercial register of the local court of Hamburg under registered number HRA 84034. CinemaxX Entertainment GmbH & Co. KG's registered office is at Valentinskamp 18-20, 20354 Hamburg, Germany.

CinemaxX Movietainment GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of the Federal Republic of Germany, registered in the commercial register of the local court of Hamburg under registered number HRB 120178. CinemaxX Movietainment GmbH's registered office is at Valentinskamp 18-20, 20354 Hamburg, Germany.

Multikino S.A. is a joint stock company (*Spółka Akcyjna*) organized under the laws of Poland, registered on July 10, 2007 under number 0000284604. Multikino S.A.'s registered office is at 49 Mokotowska Street, 00-542 Warsaw, Poland.

SBC Portugal Limited, formerly Vue Entertainment (UK) Limited, is a private limited company organized under the laws of England and Wales on October 6, 1998, with registered number 03644899. Vue Entertainment (UK) Limited's registered office is at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS United Kingdom.

Shake UK Newco Limited is a private limited company organized under the laws of England and Wales on April 19, 2013, with registered number 8496825. Shake UK Newco Limited's registered office is at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS United Kingdom.

Ster Century (UK) Limited is a private limited company organized under the laws of England and Wales on April 2, 1997, with registered number 03347110. Ster Century (UK) Limited's registered office is at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS United Kingdom.

Treganna Bidco Limited is a private limited company organized under the laws of England and Wales on May 1, 2012, with registered number 8052719. Treganna Bidco Limited's registered office is at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS United Kingdom.

Vue Beteiligungs GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of the Federal Republic of Germany, registered in the commercial register of the local court of Hamburg under registered number HRB 126725. Vue Beteiligungs GmbH's registered office is at Valentinskamp 18-20, 20354 Hamburg, Germany.

Vue Cinemas (UK) Limited is a private limited company organized under the laws of England and Wales on October 14, 1996, with registered number 03263230. Vue Cinemas (UK) Limited's registered office is at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS United Kingdom.

Vue Cinemas Limited is a private limited company organized under the laws of England and Wales on March 14, 2003, with registered number 04698775. Vue Cinemas Limited's registered office is at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS United Kingdom.

Vue Entertainment Holdings Limited is a private limited company organized under the laws of England and Wales on March 14, 2003, with registered number 4698095. Vue Entertainment Holdings Limited's registered office is at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS United Kingdom.

Vue Entertainment Holdings (UK) Limited is a private limited company organized under the laws of England and Wales on July 23, 1999, with registered number 3812508. Vue Entertainment Holdings (UK) Limited's registered office is at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS United Kingdom.

VEIL is a private limited company organized under the laws of Jersey on October 26, 2010, with registered number 106780. VEIL's registered office is at Ogier House, The Esplanade, St. Helier, Jersey, JE4 9WG.

Vue Entertainment Investment Limited is a private limited company organized under the laws of England and Wales on May 11, 2006, with registered number 5813755. Vue Entertainment Investment Limited's registered office is at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS United Kingdom.

Vue Entertainment Limited is a private limited company organized under the laws of England and Wales on March 17, 2003, with registered number 04699504. Vue Entertainment Limited's registered office is at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS United Kingdom.

Vue Holdings (Jersey) Limited is a private limited company organized under the laws of Jersey on October 26, 2010, with registered number 106779. Vue Holdings (Jersey) Limited's registered office is at Ogier House, The Esplanade, St. Helier, Jersey, JE4 9WG.

Vue Holdings (UK) Limited is a private limited company organized under the laws of England and Wales on July 4, 2011, with registered number 7422641. Vue Holdings (UK) Limited's registered office is at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS United Kingdom.

Vue Italy S.r.l. is a limited liability company incorporated under the laws of Italy on October 29, 2014 with registered number 08819480966 with the Companies' Register of Milan. Vue Italy S.r.l.'s registered office is at Via Monte Rosa 91, 20149 Milan, Italy.

Vue Properties Limited is a private limited company organized under the laws of England and Wales on September 19, 1996, with registered number 03252138. Vue Properties Limited's registered office is at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS United Kingdom.

Vue Services Limited is a private limited company organized under the laws of England and Wales on July 22, 1999, with registered number 3812286. Vue Services Limited's registered office is at 10 Chiswick Park, 566 Chiswick High Road, London W4 5XS United Kingdom.

## **General**

### ***Absence of Significant Change***

There has been no material adverse change in the Issuer's consolidated financial position or the prospects of the Issuer since November 29, 2013. There has been no significant change in the financial or trading position of the Issuer since August 28, 2014 (the date of the last financial period for which interim financial information has been published).

### ***Absence of Litigation***

Neither the Issuer, VEIL, nor any of their direct or indirect subsidiaries has been involved in any governmental, legal or arbitration proceedings relating to claims or amounts which are material in the context of the issuance of the Additional Notes except as otherwise disclosed in this offering memorandum, and, so far as the Issuer is aware, no such governmental, legal or arbitration proceedings is pending or threatened.

## INDEX TO FINANCIAL STATEMENTS

<b>Unaudited Consolidated Interim Condensed Financial Statements of Vougeot Bidco plc, as of and for the thirty-nine weeks ended August 28, 2014</b>	F-2
Interim Consolidated Profit and Loss Account	F-6
Interim Consolidated Balance Sheet	F-7
Interim Consolidated Cash Flow Statement	F-8
Interim Consolidated Statement of Total Recognised Gains and Losses	F-9
Interim Consolidated Statement of Group Shareholders' Deficit	F-9
Notes to the Financial Statements	F-10
<b>Financial Statement of Vougeot Bidco plc for the period from May 2, 2013 (date of incorporation) to November 28, 2013</b>	F-22
Independent Auditors' Report	F-35
Consolidated Profit and Loss Account	F-37
Consolidated Balance Sheet	F-38
Company Balance Sheet	F-39
Consolidated Cash Flow Statement	F-40
Consolidated Statement of Total Recognised Gains and Losses	F-41
Consolidated Statement of Group Shareholders' Deficit	F-41
Notes to the Financial Statements	F-42
<b>Unaudited Consolidated Interim Condensed Financial Statements of Vue Entertainment International Limited as of and for the thirty-nine weeks ended August 28, 2014</b>	F-65
Interim Consolidated Profit and Loss Account	F-69
Interim Consolidated Balance Sheet	F-70
Interim Consolidated Cash Flow Statement	F-71
Interim Consolidated Statement of Total Recognised Gains and Losses	F-72
Interim Consolidated Statement of Group Shareholders' Deficit	F-72
Notes to the Financial Statements	F-73
<b>Financial Statements of Vue Entertainment International Limited for the period ended November 28, 2013</b>	F-84
Independent Auditors' Report	F-95
Consolidated Profit and Loss Account	F-97
Consolidated Balance Sheet	F-98
Company Balance Sheet	F-99
Consolidated Cash Flow Statement	F-100
Consolidated Statement of Total Recognised Gains and Losses	F-101
Consolidated Statement of Group Shareholders' Deficit	F-101
Notes to the Financial Statements	F-102
<b>Financial Statements of Vue Entertainment International Limited for the period ended November 29, 2012</b>	F-125
Independent Auditors' Report	F-126
Consolidated Profit and Loss Account	F-128
Consolidated Balance Sheet	F-129
Company Balance Sheet	F-130
Consolidated Cash Flow Statement	F-131
Consolidated Statement of Total Recognised Gains and Losses	F-132
Consolidated Statement of Group Shareholders' Deficit	F-132
Notes to the Financial Statements	F-133
<b>Financial Statement of Vue Entertainment International Limited for the period from October 26, 2010 (date of incorporation) to November 24, 2011</b>	F-155
Independent Auditors' Report	F-156
Consolidated Profit and Loss Account	F-158
Consolidated Balance Sheet	F-159
Company Balance Sheet	F-160
Consolidated Cash Flow Statement	F-161
Consolidated Statement of Total Recognised Gains and Losses	F-162
Consolidated Statement of Shareholders' Deficit	F-162
Notes to the Financial Statements	F-163

# **Vougeot Bidco plc**

**Interim Condensed Consolidated Financial Statements**  
**for the 39 week period ended 28 August 2014**  
**(Registered Number 08514872)**

**Interim Condensed Consolidated Financial Statements  
for the 39 week period ended 28 August 2014**

<b><u>Contents</u></b>	<b><u>Pages</u></b>
Directors' Report . . . . .	F-4 – F-5
Interim Consolidated Profit and Loss Account . . . . .	F-6
Interim Consolidated Balance Sheet . . . . .	F-7
Interim Consolidated Cash Flow Statement . . . . .	F-8
Interim Consolidated Statement of Total Recognised Gains and Losses . . . . .	F-9
Interim Consolidated Statement of Shareholders' Deficit . . . . .	F-9
Notes to the Interim Financial Statements . . . . .	F-10 – F-21



## **Directors' Report for the 39 week period ended 28 August 2014**

The directors present their report and the unaudited non-statutory interim condensed consolidated financial statements of Vougeot Bidco plc ("the Company") and its subsidiaries ("the Group") for the 39 week period ended 28 August 2014.

The comparative results for the profit and loss account and cash flow statement refer to the 17 week period from incorporation of the Company on 2 May 2013 to 29 August 2013. The trading activity included within the comparative period is for the 3 weeks commencing 8 August 2013. The comparative results for the balance sheet refer to the audited balance sheet as at 28 November 2013.

### **Principal Activities**

The principal activity of the Company is a holding company which provides management services to the Group. The principal activity of the Group is the development and operation of state-of-the-art multiplex cinemas.

### **Results in the period**

Group operating profit for the 39 week period was £3.2m (2013: £2.2m).

The retained loss for the Group after taxation, finance costs and minority interests amounted to £63.2m (2013: loss £5.0m).

The directors are satisfied with the prospects of the Group.

The directors do not recommend that a dividend be paid.

### **Directors**

The directors who held office during the period and up to the date of signing these financial statements, were as follows:

Peter Teti  
Robert Mah  
Simon Jones  
Mark Redman  
Stephen Knibbs  
Alan McNair  
J. Timothy Richards

### **Directors' Liabilities Insurance**

During the period to 28 August 2014 and at the date of approval of the financial statements, the Company and Group maintained liability insurance for its directors and officers.

### **Private Equity Ownership**

The Company is a subsidiary of Vougeot Holdco Limited. Vougeot Holdco Limited is a Jersey company controlled by private equity funds. Vougeot Holdco Limited is a co-investment vehicle for OMERS Administration Corporation and certain clients of Alberta Investment Management Corporation.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the non-statutory interim condensed consolidated financial statements in accordance with the basis of preparation in note 2 and accounting policies in note 3 solely in connection with the proposed public offering of debt securities. The directors must not approve the non-statutory interim condensed consolidated financial statements unless they are satisfied that they have been properly prepared, in all material respects, in accordance with the basis of preparation in note 2 and accounting policies in note 3 to the non-statutory interim condensed consolidated financial statements. In preparing these non-statutory interim condensed consolidated financial statements, the directors have:

- selected suitable accounting policies and then applied them consistently;

**Directors' Report**  
**for the 39 week period ended 28 August 2014 — (continued)**

- made judgements and accounting estimates that are reasonable and prudent;
- stated the basis of preparation and accounting policies applied;
- prepared the non-statutory interim condensed consolidated financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

Alan McNair  
Director  
30 October 2014

**Vougeot Bidco plc**  
**Interim Consolidated Profit and Loss Account**  
**for the 39 week period ended 28 August 2014**

	Notes	39 weeks ended 28 August 2014 unaudited £'000	17 weeks ended* 29 August 2013 unaudited £'000
<b>Turnover</b> . . . . .	6	<b>415,211</b>	32,488
Cost of sales . . . . .		<b>(157,338)</b>	(11,778)
<b>Gross profit</b> . . . . .		<b>257,873</b>	20,710
Administrative expenses . . . . .		<b>(254,632)</b>	(18,526)
<b>Operating profit</b> . . . . .	7	<b>3,241</b>	2,184
Interest receivable and similar income . . . . .	8	<b>167</b>	645
Interest payable and similar charges . . . . .	9	<b>(62,789)</b>	(7,637)
<b>Loss on ordinary activities before taxation</b> . . . . .		<b>(59,381)</b>	(4,808)
Tax on loss on ordinary activities . . . . .	10	<b>(3,536)</b>	(222)
<b>Loss on ordinary activities after taxation</b> . . . . .		<b>(62,917)</b>	(5,030)
Minority interests . . . . .		<b>(330)</b>	(1)
<b>Loss for the financial period</b> . . . . .		<b>(63,247)</b>	(5,031)

\* Only reflects the trading results for the 3 week period from 8 August 2013 to 29 August 2013, following the acquisition of Vue Entertainment International Limited on 8 August 2013.

There is no difference between the loss on ordinary activities before taxation and the loss for the financial period stated above and their historical cost equivalents.

The above results derive from continuing operations.

The notes on pages F-10 to F-21 form an integral part of these financial statements.

**Vougeot Bidco plc**  
**Interim Consolidated Balance Sheet**  
**as at 28 August 2014**

	Notes	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
<b>Fixed assets</b>			
Intangible assets . . . . .	11	<b>696,166</b>	723,692
Tangible assets . . . . .	12	<b>337,775</b>	356,271
Investment in associate . . . . .		<b>85</b>	238
		<u><b>1,034,026</b></u>	<u>1,080,201</u>
<b>Current assets</b>			
Stock . . . . .		<b>2,555</b>	2,743
Debtors: amounts falling due within one year . . . . .	13	<b>39,868</b>	39,291
Debtors: amounts falling due after more than one year . . . . .	13	<b>24,226</b>	25,587
Cash at bank and in hand . . . . .	14	<b>52,847</b>	55,491
		<u><b>119,496</b></u>	<u>123,112</u>
<b>Creditors: amounts falling due within one year</b>			
Loans . . . . .	17	<b>(39,759)</b>	(35,186)
Other creditors . . . . .	15	<b>(107,850)</b>	(115,572)
		<u><b>(147,609)</b></u>	<u>(150,758)</u>
<b>Net current liabilities</b> . . . . .		<u><b>(28,113)</b></u>	<u>(27,646)</u>
<b>Total assets less current liabilities</b> . . . . .		<u><b>1,005,913</b></u>	<u>1,052,555</u>
<b>Creditors: amounts falling due after more than one year</b>			
Loans . . . . .	17	<b>1,003,287</b>	976,068
Other creditors . . . . .	16	<b>50,623</b>	51,066
Provision for liabilities . . . . .	18	<b>39,126</b>	41,118
<b>Capital and reserves</b>			
Called up share capital . . . . .	19	<b>4,718</b>	4,718
Other reserve . . . . .	20	<b>2,187</b>	—
Profit and loss account . . . . .		<u><b>(92,930)</b></u>	<u>(22,128)</u>
<b>Total shareholders' deficit</b> . . . . .		<u><b>(86,025)</b></u>	<u>(17,410)</u>
Minority interests . . . . .		<u><b>(1,098)</b></u>	<u>1,713</u>
<b>Capital employed</b> . . . . .		<u><b>1,005,913</b></u>	<u>1,052,555</u>

The notes on pages F-10 to F-21 form an integral part of these financial statements.

Approved by the Board of Directors and signed on its behalf by:

Alan McNair  
Director  
30 October 2014

**Vougeot Bidco plc**  
**Interim Consolidated Cash Flow Statement**  
**for the 39 week period ended 28 August 2014**

	Notes	39 weeks ended 28 August 2014 unaudited £'000	17 weeks ended* 29 August 2013 unaudited £'000
<b>Operating activities</b>			
Net cash inflow from operating activities . . . . .	22	<b>61,474</b>	12,600
<b>Return on investments and servicing of finance</b>			
Interest received . . . . .		<b>167</b>	1
Interest paid . . . . .		<b>(37,134)</b>	(41)
<b>Net cash outflow from returns on investments and servicing of finance . . . . .</b>		<b>(36,967)</b>	(40)
Taxation paid . . . . .		<b>(2,647)</b>	(861)
<b>Cash outflow for capital expenditure and other financial investments</b>			
Payments to acquire tangible assets . . . . .		<b>(20,324)</b>	(3,005)
Landlord contributions received . . . . .		<b>2,933</b>	358
Acquisitions . . . . .		<b>(5,167)</b>	(991,403)
Cash balance acquired on acquisition . . . . .		<b>—</b>	63,915
<b>Net cash outflow from capital expenditure and other financial investments . . . . .</b>		<b>(22,558)</b>	(930,135)
<b>Net cash outflow before financing activities . . . . .</b>		<b>(698)</b>	(918,436)
<b>Financing activities</b>			
Revolving credit facility and other loans . . . . .		<b>856</b>	551,938
Issue costs paid . . . . .		<b>(350)</b>	(12,637)
Issue of ordinary shares . . . . .		<b>—</b>	4,718
Dividends paid to minority interests . . . . .		<b>(103)</b>	—
Amounts paid to group companies . . . . .		<b>(12)</b>	—
Issue of shareholder loans . . . . .		<b>—</b>	428,220
<b>Net cash inflow from financing activities . . . . .</b>		<b>391</b>	972,239
<b>(Decrease)/Increase in cash . . . . .</b>	24	<b>(307)</b>	53,803

\* Only reflects the trading results for the 3 week period from 8 August 2013 to 29 August 2013, following the acquisition of Vue Entertainment International Limited on 8 August 2013.

The notes on pages F-10 to F-21 form an integral part of these financial statements.

**Vougeot Bidco plc**  
**Interim Consolidated Statement of Total Recognised Gains and Losses**  
**for the 39 week period ended 28 August 2014**

	39 weeks ended 28 August 2014 unaudited £'000	17 weeks ended* 29 August 2013 unaudited £'000
Loss for the financial period . . . . .	<b>(63,247)</b>	(5,031)
Foreign exchange movement . . . . .	<b>(7,555)</b>	3,382
<b>Total recognised losses relating to the financial period . . . . .</b>	<b><u>(70,802)</u></b>	<b><u>(1,649)</u></b>

**Interim Consolidated Statement of Shareholders' Deficit**  
**for the 39 week period ended 28 August 2014**

	Share Capital £'000	Other Reserve £'000	Retained Earnings £'000	Total Shareholders' Deficit £'000
Opening balance as at 28 November 2013 (audited) . . . . .	4,718	—	(22,128)	(17,410)
Loss for the financial period . . . . .	—	—	(63,247)	(63,247)
Share-based payment charge . . . . .	—	2,187	—	2,187
Foreign exchange movement . . . . .	—	—	(7,555)	(7,555)
Net reduction for the period . . . . .	—	2,187	(70,802)	(68,615)
<b>Closing balance as at 28 August 2014 (unaudited) . . . . .</b>	<b><u>4,718</u></b>	<b><u>2,187</u></b>	<b><u>(92,930)</u></b>	<b><u>(86,025)</u></b>

\* Only reflects the trading results for the 3 week period from 8 August 2013 to 29 August 2013, following the acquisition of Vue Entertainment International Limited on 8 August 2013.

The notes on pages F-10 to F-21 form an integral part of these financial statements.



**Vougeot Bidco plc**  
**Notes to the Interim Financial Statements**  
**for the 39 week period ended 28 August 2014**

**1 General Information**

The principal activity of the Group is the development and operation of state-of-the-art multiplex cinemas.

As at 28 August 2014, the Group operates a chain of 150 cinema sites. 82 of these sites are in the UK, one in Eire, 30 in Germany, three in Denmark, one in Taiwan, 31 in Poland, one in Latvia and one in Lithuania.

The interim condensed consolidated financial statements was approved for issue on 30 October 2014.

**2 Basis of Preparation**

The interim condensed consolidated financial information as of and for the 39 week period ended 28 August 2014 has been prepared in accordance with best practice as derived from IAS 34, 'Interim financial reporting', as adopted by the European Union.

The interim condensed consolidated financial information does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

Statutory financial statements as of and for the 52 week period ended 28 November 2013 were approved by the board of directors on 28 March 2014 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The interim condensed consolidated financial information should be read in conjunction with the annual financial statements as of and for the 52 week period ended 28 November 2013, which have been prepared in accordance with applicable accounting standards in the United Kingdom and applicable law.

The comparative results for the profit and loss account and cash flow statement refer to the 17 week period from incorporation of the Company on 2 May 2013 to 29 August 2013. The trading activity included within the comparative period is for the 3 weeks commencing 8 August 2013. The comparative results for the balance sheet refer to the audited balance sheet as at 28 November 2013.

**Going-concern basis**

The interim condensed consolidated financial statements have been prepared on a going concern basis. The directors deemed it appropriate to prepare the accounts on a going concern basis having given due regard to the trading results and capital structure of the Group. In particular the working capital requirements of the Group are met by the Group's available cash balance combined with the revolving credit and overdraft facility and certain shareholder loans. The longer term finance of the Group is provided by senior secured floating and fixed Euro and Sterling denominated notes plus certain shareholder loans. As a result the directors believe that the Company and Group will, for the foreseeable future, be able to continue trading and meet all their liabilities as they fall due.

**3 Accounting Policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's statutory financial statements for the 52 week period ended 28 November 2013, except as noted below regarding taxation.

These accounting policies are expected to be applicable to the Group for its 52 week 2014 financial statements. It is possible that there will be changes to these standards and interpretations before the end of the Group's 2014 financial year, which might require adjustments to this information before it is included in the financial statements for the 52 week ended 27 November 2014.

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to the expected total annual profit or loss.

There is no material difference between the fair value of the financial assets and liabilities and their carrying amount.

**Vougeot Bidco plc**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**3 Accounting Policies (continued)**

There are no standards that are effective for the first time for this interim period that would be expected to have a material impact on the Group.

The Group has taken advantage of the exemption contained within “FRS 8 — Related Party Transactions”, not to disclose related party transactions with other members of its group of companies, which are wholly owned subsidiaries. No transactions have taken place with other members of its group companies, which are not wholly owned subsidiaries.

**4 Estimates**

In preparing the interim condensed consolidated financial statements for the Group, management are required to make and disclose significant judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Although these judgements, estimates and assumptions are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ.

In preparing these interim condensed consolidated financial statements, the significant judgements, estimates and assumptions made by management in applying the Group’s accounting policies and the key sources of estimating uncertainty were the same as those that were applied to the Group annual financial statements for the period ended 28 November 2013.

Management have determined that the key areas of judgement, estimate and assumptions to disclose include the ongoing recoverability of goodwill, the nature and obligation of onerous lease provisions, the assessment of the Group’s digital investment as prepaid operating lease commitments and the carrying value of tangible fixed assets.

**5 Financial Risk Management**

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the period ended 28 November 2013.

There have been no significant changes in the risk management policies since the period ended 28 November 2013.

**6 Segmental Information**

Turnover comprises the value of goods and services provided to customers excluding value added tax.

	<b>39 weeks ended 28 August 2014 unaudited £’000</b>	<b>17 weeks ended 29 August 2013 unaudited £’000</b>
<b>Turnover</b>		
United Kingdom . . . . .	<b>221,774</b>	14,759
Continental Europe . . . . .	<b>187,639</b>	17,119
Other . . . . .	<b>5,798</b>	610
	<b><u>415,211</u></b>	<b><u>32,488</u></b>

All turnover is derived from external customers in the local geographical market from the operation of cinema sites.

**Vougeot Bidco plc**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**6 Segmental Information (continued)**

In the period ended 28 August 2014, UK turnover includes £0.5m (2013: £nil) of non-recurring income relating to the reclaim of VAT previously paid on exempt sales.

	39 weeks ended 28 August 2014 unaudited £'000	17 weeks ended 29 August 2013 unaudited £'000
<b>(Loss)/profit before taxation</b>		
United Kingdom . . . . .	<b>(72,715)</b>	1,376
Continental Europe . . . . .	<b>12,925</b>	(6,480)
Other . . . . .	<b>409</b>	296
	<b><u>(59,381)</u></b>	<b><u>(4,808)</u></b>
	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
<b>(Net liabilities)/net assets</b>		
United Kingdom . . . . .	<b>(244,841)</b>	(178,336)
Continental Europe . . . . .	<b>162,166</b>	164,699
Other . . . . .	<b>(3,350)</b>	(3,773)
	<b><u>(86,025)</u></b>	<b><u>(17,410)</u></b>

**7 Operating Profit**

	39 weeks ended 28 August 2014 unaudited £'000	17 weeks ended 29 August 2013 unaudited £'000
Operating Profit is stated after charging/(crediting):		
Profit on disposal of fixed assets . . . . .	<b>(48)</b>	(463)
Depreciation on tangible fixed assets (note 12) . . . . .	<b>30,369</b>	2,046
Amortisation of intangible fixed assets (note 11) . . . . .	<b>27,729</b>	1,992
Realised foreign exchange losses . . . . .	<b>30</b>	2
Provision for liabilities — charge to the profit and loss account (note 18) . . . . .	<b>819</b>	—
Share-based payments (note 21) . . . . .	<b>2,187</b>	—
Rentals under other operating leases . . . . .	<b>75,671</b>	5,524
Pre-opening expenses . . . . .	<b>114</b>	4

**Vougeot Bidco plc**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**8 Interest Receivable and Similar Income**

	39 weeks ended 28 August 2014 unaudited £'000	17 weeks ended 29 August 2013 unaudited £'000
Bank interest . . . . .	44	15
Other interest . . . . .	123	630
	<u>167</u>	<u>645</u>

**9 Interest Payable and Similar Charges**

	39 weeks ended 28 August 2014 unaudited £'000	17 weeks ended 29 August 2013 unaudited £'000
Senior Secured Notes and Revolving Credit Facility . . . . .	28,780	4,670
Finance Leases . . . . .	74	—
Other interest . . . . .	1,494	17
Amortisation of capitalised issue costs . . . . .	1,689	191
Unwinding of discount factor on onerous leases (note 18) . . . . .	2,425	188
Unrealised foreign exchange gain on Secured Euro — Floating notes . . . . .	(10,714)	—
Shareholder loans . . . . .	39,041	2,571
	<u>62,789</u>	<u>7,637</u>

**10 Taxation**

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim consolidated profit or loss account are

	39 weeks ended 28 August 2014 unaudited £'000	17 weeks ended 29 August 2013 unaudited £'000
<b>Analysis of tax for the financial period</b>		
<b>Current tax</b>		
Group relief payments . . . . .	611	112
Overseas tax suffered . . . . .	2,676	182
<b>Total current tax charge . . . . .</b>	<u>3,287</u>	<u>294</u>
<b>Deferred tax</b>		
Timing differences, origination and reversal . . . . .	249	(72)
<b>Taxation charge on loss on ordinary activities . . . . .</b>	<u>3,536</u>	<u>222</u>

**Vougeot Bidco plc**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**10 Taxation (continued)**

**Factors affecting current tax charge for the financial period**

The standard rate of current tax for the period, based on the UK standard rate of corporation tax is 21.89% (2013 23.0%). The current tax charge for the period differs from the standard rate for the reasons in the reconciliation following:

	39 weeks ended 28 August 2014 unaudited £'000	17 weeks ended 29 August 2013 unaudited £'000
<b>Analysis of tax charge for the financial period</b>		
Loss on ordinary activities before tax . . . . .	<b>(59,381)</b>	(4,808)
Loss on ordinary activities multiplied by the effective rate of corporation tax in the UK of 21.89% (23.0%) . . . . .	<b>(12,999)</b>	(1,106)
<b>Effects of:</b>		
Expenses not deductible for tax purposes . . . . .	<b>10,081</b>	190
Depreciation in excess of capital allowances . . . . .	<b>1,489</b>	40
Foreign branch income not subject to UK tax . . . . .	<b>(76)</b>	(56)
Overseas tax suffered . . . . .	<b>2,676</b>	182
Tax losses carried forward . . . . .	<b>2,202</b>	1,007
Utilisation of brought forward losses . . . . .	<b>(86)</b>	(37)
Other timing differences . . . . .	<b>—</b>	2
<b>Current tax charge for the financial period . . . . .</b>	<b><u>3,287</u></b>	<b><u>222</u></b>

**11 Intangible Fixed Assets — Goodwill**

	£'000
<b>Cost</b>	
At 28 November 2013 . . . . .	734,548
Acquisitions . . . . .	1,656
Foreign exchange movement . . . . .	(1,638)
<b>At 28 August 2014 . . . . .</b>	<b><u>734,566</u></b>
<b>Accumulated amortisation</b>	
At 28 November 2013 . . . . .	(10,856)
Charged for the period . . . . .	(27,729)
Foreign exchange movement . . . . .	185
<b>At 28 August 2014 . . . . .</b>	<b><u>(38,400)</u></b>
<b>Net book value at 28 August 2014 (unaudited) . . . . .</b>	<b><u>696,166</u></b>
Net book value at 28 November 2013 (audited) . . . . .	<u>723,692</u>

Goodwill acquisitions in the period relate to the purchase of the remaining 2.52% of the shares in CinemaxX Holdings GmbH ("CinemaxX" formerly CinemaxX AG) that were not previously owned by the Group. The purchase was made by Vue Beteiligungs GmbH, a subsidiary of the Group, for an amount of €5,967k (£5,167k) resulting in additional £1,656k of goodwill.

**Vougeot Bidco plc**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**12 Tangible Fixed Assets**

	Freehold Land and Buildings £'000	Long Leasehold Land and Buildings £'000	Short Leasehold Land and Buildings £'000	Furniture Fixture and Equipment £'000	Construction in Progress £'000	Total £'000
<b>Cost</b>						
At 28 November 2013 . . . . .	6,385	15,360	253,657	82,468	7,166	365,036
Additions . . . . .	—	199	6,799	7,880	1,944	16,822
Transfers . . . . .	(4,941)	—	4,941	—	—	—
Disposals . . . . .	—	—	—	(426)	—	(426)
Foreign exchange movement . . . .	(303)	(738)	(1,868)	(2,880)	(159)	(5,948)
<b>At 28 August 2014 . . . . .</b>	<b>1,141</b>	<b>14,821</b>	<b>263,529</b>	<b>87,042</b>	<b>8,951</b>	<b>375,484</b>
<b>Accumulated Depreciation</b>						
At 28 November 2013 . . . . .	152	86	6,259	2,268	—	8,765
Charge during period . . . . .	122	382	17,571	12,294	—	30,369
Transfers . . . . .	(80)	—	80	—	—	—
Disposals . . . . .	—	—	—	(416)	—	(416)
Foreign exchange movement . . . .	(48)	(15)	(393)	(553)	—	(1,009)
<b>At 28 August 2014 . . . . .</b>	<b>146</b>	<b>453</b>	<b>23,517</b>	<b>13,593</b>	<b>—</b>	<b>37,709</b>
<b>Net book value at 28 August 2014 (unaudited) . . . . .</b>	<b>995</b>	<b>14,368</b>	<b>240,012</b>	<b>73,449</b>	<b>8,951</b>	<b>337,775</b>
Net book value at 28 November 2013 (audited) . . . . .	6,233	15,274	247,398	80,200	7,166	356,271

The additions for the period include an amount of £4.0m of capital expenditure accrued as at 28 August 2014 (2013: £8.4m) relating to expenditure on new sites and other projects.

**13 Debtors**

	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
<b>Amounts falling due within one year:</b>		
Trade debtors . . . . .	9,784	11,063
Amounts due from shareholders . . . . .	32	21
Other debtors . . . . .	6,058	5,229
Prepayments and accrued income . . . . .	23,441	22,978
Corporation tax receivable . . . . .	553	—
	<b>39,868</b>	<b>39,291</b>
<b>Amounts falling due after more than one year:</b>		
Deferred tax . . . . .	24,226	25,587

Amounts due from shareholders are unsecured, interest free and repayable on demand.



**Vougeot Bidco plc**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**14 Cash at Bank and in Hand**

	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
Cash — unrestricted . . . . .	48,751	47,080
Cash — restricted . . . . .	4,096	8,411
	<u>52,847</u>	<u>55,491</u>

Restricted cash relates to rental deposits held in relation to the Group's cinema sites in Germany.

**15 Creditors: Amounts Falling Due Within One Year**

	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
Trade creditors . . . . .	27,226	24,720
Other tax and social security . . . . .	3,188	1,283
Other creditors . . . . .	3,284	4,239
Group relief payable . . . . .	112	112
Finance leases . . . . .	1,297	1,707
Accruals . . . . .	47,446	62,147
Corporation tax payable . . . . .	1,813	839
Deferred income . . . . .	23,484	20,525
	<u>107,850</u>	<u>115,572</u>
Loans (note 17) . . . . .	39,759	35,186
Loans . . . . .	39,759	35,186
	<u>147,609</u>	<u>150,758</u>

**16 Creditors: Amounts Falling Due After More Than One Year**

	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
Deferred income . . . . .	45,986	45,332
Other creditors . . . . .	1,193	1,249
Finance leases . . . . .	3,444	4,485
	<u>50,623</u>	<u>51,066</u>

**Vougeot Bidco plc**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**17 Loan Capital and Borrowings**

	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
Revolving Credit Facility . . . . .	4,031	1,983
Capitalised Issue Costs . . . . .	(2,272)	(2,048)
Shareholder Loans . . . . .	38,000	35,251
<b>Loans: amounts falling due within one year . . . . .</b>	<b>39,759</b>	<b>35,186</b>
Secured Euro — Floating notes . . . . .	230,655	241,365
Secured Sterling — Fixed notes . . . . .	300,000	300,000
Capitalised Issue Costs . . . . .	(11,181)	(12,743)
Other Loans . . . . .	584	509
Shareholder Loans . . . . .	483,229	446,937
<b>Loans: amounts falling due after more than one year . . . . .</b>	<b>1,003,287</b>	<b>976,068</b>
<b>Total Loans . . . . .</b>	<b>1,043,046</b>	<b>1,011,254</b>
	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
At beginning of period . . . . .	1,011,254	—
Issue of Secured Euro — Floating notes . . . . .	—	251,923
Issue of Secured Sterling — Fixed notes . . . . .	—	300,000
Capitalised Issue Costs incurred . . . . .	(350)	(15,397)
Revolving Credit Facility drawdown . . . . .	2,205	1,983
Shareholder Loans issued . . . . .	—	467,100
Other Loans acquired . . . . .	—	614
Other Loans received/repaid . . . . .	94	(76)
	1,013,203	1,006,147
Amortisation of Capitalised Issue Costs . . . . .	1,689	606
Interest accrued in the period . . . . .	39,041	15,088
Foreign exchange movement . . . . .	(10,887)	(10,587)
<b>At end of period . . . . .</b>	<b>1,043,046</b>	<b>1,011,254</b>

**Senior Secured Notes**

Senior secured fixed rate Sterling denominated notes of £300m were issued on 18 July 2013 with a termination date of 15 July 2020. Interest is fixed at 7.875% and payable on a semi-annual basis.

Senior secured floating rate Euro denominated notes of €290m (£252m) were issued on 18 July 2013 with a termination date of 15 July 2020. Interest is floating at three month EURIBOR plus a margin of 525 bps. Interest is payable on a quarterly basis. An Original Issue Discount fee (OID) of €1,159k (£1,007k) was paid on the date of issue of the notes.

**Revolving Credit Facility**

The Group is able to draw down on a £50m multicurrency revolving credit and overdraft facility with Lloyds Bank plc. At 28 August 2014 the facility was drawn down in Polish Zloty totalling PLN 15.0m (£2.8m) and Sterling totalling £1.2m. (2013 PLN 10.0m only (£2.0m)). The facility is available until August 2019. The facility bears interest at LIBOR, EURIBOR, CIBOR or WIBOR depending on the currency drawn down plus a margin of 3.5%.

**Vougeot Bidco plc**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**17 Loan Capital and Borrowings (continued)**

**Swap Contracts**

On 8 August 2013 the Company entered into two swaps with Lloyds Bank plc (Lloyds) and Normura International plc (Nomura). Both swaps have a notional value of €115.9m and a termination date of 15 July 2016. Under the Lloyds swap the Company pays a fixed interest rate of 1.147%. Under the Nomura swap the Company pays a fixed interest rate of 1.027%.

**Capitalised Issue Costs**

Costs incurred in issuing the senior secured notes and the revolving credit and overdraft facility are capitalised and are allocated to the profit and loss account over the terms of the related debt facility. At 28 August 2014 borrowings are stated net of unamortised issue costs of £13.5m (2013: £14.8m).

**Security**

The senior secured notes and revolving credit facility are secured by cross guarantees and charges over certain of the Group's shares and assets.

**Shareholder loans due within one year**

Shareholder loans relate to the German Trapped Cash Equity Bridge loan. The loan bears interest of 11.0% and has a termination date of 9 August 2033. The loan can be repaid earlier than that date if the remaining shares in CinemaxX Holding GmbH not owned by the Group have been acquired, subject to a maximum payment of £38.0m for principal and accrued interest. The remaining shares in CinemaxX Holding GmbH have now been acquired and therefore the loan has been classified as due within one year. Any amounts over the £38.0m maximum payment are shown as due after more than one year as they can only be paid after the termination of the senior secured notes.

**Shareholder loans due after more than one year**

Shareholder loans bear interest of 11.0% and have a termination date of 9 August 2033. Early repayment can be requested but not before the termination of the senior secured notes. All interest is capitalised on an annual basis to increase the value of the loan. At 28 August 2014 accrued interest totalled £50.2m (2013: £13.9m).

**18 Provision for Liabilities**

	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
Provision at beginning of period . . . . .	41,118	—
Onerous lease provision acquired . . . . .	—	38,522
Charge to the profit and loss account . . . . .	819	3,911
Utilised during the period . . . . .	(4,893)	(2,117)
Unwinding of discount factor on onerous leases . . . . .	2,425	987
Foreign exchange movement . . . . .	(343)	(185)
<b>Provision at the end of the period . . . . .</b>	<b><u>39,126</u></b>	<b><u>41,118</u></b>

The provision for liabilities is for onerous leases at certain sites.

**Vougeot Bidco plc**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**19 Called up Share Capital**

	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
<b>Allotted, issued and fully paid</b>		
Opening balance . . . . .	<b>4,718</b>	—
Issued during the period . . . . .	—	4,718
<b>4,718,100 Ordinary shares of £1.00</b> . . . . .	<b><u>4,718</u></b>	<b><u>4,718</u></b>

**20 Other Reserve**

	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
Opening balance . . . . .	—	—
Share-based payments charge . . . . .	<b>2,187</b>	—
<b>Closing balance</b> . . . . .	<b><u>2,187</u></b>	<b><u>—</u></b>

**21 Share-based Payments**

Vougeot Holdco Limited, the ultimate controlling party of the Company, has implemented an equity-settled share-based incentive plan for certain management employees. The plan granted 1,000,000 'D' Ordinary shares. Subject to the relevant employee still being employed by the Group these shares vest as follows, either a) upon grant, b) over a three year period or c) immediately upon a trade sale or listing of the Group. The Company has been deemed to be the most appropriate employer company for the management employees involved in the scheme. As a result it has recorded a cost for the share-based payments of £2,187k in the period to 28 August 2014.

**22 Reconciliation of Operating Profit to Net Cash Inflow**

	39 weeks ended 28 August 2014 unaudited £'000	17 weeks ended 29 August 2013 unaudited £'000
<b>Operating profit</b> . . . . .	<b>3,241</b>	2,184
Depreciation of fixed assets . . . . .	<b>30,369</b>	2,046
Amortisation of goodwill . . . . .	<b>27,729</b>	1,992
Non cash operating items . . . . .	<b>(4,400)</b>	(3,318)
Decrease/(increase) in stock . . . . .	<b>148</b>	(183)
(Increase)/decrease in debtors . . . . .	<b>(745)</b>	3,204
Decrease in creditors . . . . .	<b>5,132</b>	6,675
<b>Net cash inflow</b> . . . . .	<b><u>61,474</u></b>	<b><u>12,600</u></b>

**Vougeot Bidco plc**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**23 Reconciliation of Net Cash Flow to Movement in Net Debt**

	Period ended 28 August 2014 unaudited £'000	Period ended 28 November 2013 audited £'000
(Decrease)/Increase in cash in the financial period . . . . .	<b>(307)</b>	248
Cash inflow from shareholder loans . . . . .	—	(461,199)
Cash outflow from revolving credit facility and other loans . . . . .	<b>(856)</b>	(553,691)
Cash outflow from Multikino acquired debt repaid . . . . .	—	25,889
Cash outflow from group companies . . . . .	<b>12</b>	—
Cash outflow from issue costs paid . . . . .	<b>350</b>	15,429
Change in net debt resulting from cash flows . . . . .	<b>(801)</b>	(973,324)
Amortisation of issue costs . . . . .	<b>(1,689)</b>	(606)
Other non cash movement . . . . .	—	(5,880)
Bank loans and other borrowings acquired on acquisition . . . . .	—	(32,729)
Cash acquired on acquisition . . . . .	—	56,309
Foreign exchange movement . . . . .	<b>8,517</b>	9,425
Issue of debt — rolled up interest . . . . .	<b>(39,041)</b>	(15,088)
Movement in debt . . . . .	<b>(33,014)</b>	(961,893)
Net debt at beginning of period . . . . .	<b>(961,893)</b>	—
Net debt at end of period . . . . .	<b>(994,907)</b>	(961,893)

**24 Analysis of Changes in Net Debt**

	As at 28 November 2013 audited £'000	Cash flow £'000	Non cash movement £'000	Foreign exchange £'000	As at 28 August 2014 unaudited £'000
Cash in hand and at bank . . . . .	55,491	(307)	—	(2,337)	<b>52,847</b>
Other loans and finance leases . . . . .	(6,661)	1,350	—	(14)	<b>(5,325)</b>
Shareholder loans . . . . .	(482,167)	12	(39,041)	—	<b>(521,196)</b>
Revolving Credit Facility borrowing . . . . .	(1,983)	(2,206)	—	158	<b>(4,031)</b>
Senior Secured notes . . . . .	(526,573)	350	(1,689)	10,710	<b>(517,202)</b>
	<u>(961,893)</u>	<u>(801)</u>	<u>(40,730)</u>	<u>8,517</u>	<u><b>(994,907)</b></u>

Non cash movement comprises amortisation of issue costs of £1,689k and accrued interest of £39,041k on shareholder loans which as described in note 17.

**25 Related Parties**

The Company entered into a management services agreement with OMERS Private Equity Inc., PE12GV (Artist) Ltd. and PE12PX (Artist-Management) Ltd. as service providers. Each service provider provides corporate finance, strategic corporate planning and other services. Annual fees of £400k plus applicable expenses are paid by the Company for these services. During the period fees of £300k were charged of which all were still outstanding at 28 August 2014.

**26 Capital Commitments**

As at the 28 August 2014, Group contracted capital commitments were £14.5m (2013 £10.3m).

**Vougeot Bidco plc**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**27    Contingent Liabilities**

The Group did not have any contingent liabilities as at 28 August 2014 (2013: £nil).

**28    Post Balance Sheet Events**

On 16 October 2014 Vougeot Bidco plc agreed to acquire 100% of the shares of Capitolosette Srl and its subsidiaries together known as the "Space Entertainment Group".

The Space Entertainment Group is the leading cinema chain in Italy by market share and consists of 36 multiplex cinemas with 362 screens and 79,126 seats. Initial consideration for the acquisition will be approximately €118.5m before fees and expenses.

It is anticipated that the acquisition will be financed through a combination of approximately €70m of committed bank financing and reinvestment of £38.0 million of the existing Bridge Loans from Vue's financial shareholders OMERS Private Equity and AIMCo, in the form of subordinated non-cash pay loan notes.

**29    Ultimate Parent Undertaking**

At 28 August 2014, the immediate parent undertaking of Vougeot Bidco plc is Vougeot Midco Limited.

This set of financial statements, with the Company as parent undertaking, is the smallest group of undertakings for which consolidated group financial statements are drawn up and publicly available of which the Company is a member.

At 28 August 2014, the ultimate controlling party is considered by the directors to be Vougeot Holdco Limited, a co-investment vehicle for OMERS Administration Corporation and certain clients of Alberta Investment Management Corporation.



# **Vougeot Bidco plc**

**Annual Report and Consolidated Financial Statements**

**for the period from 2 May 2013 (date of incorporation) to 28 November 2013**

**(Registered Number 08514872)**

**Annual Report and Consolidated Financial Statements  
for the period ended 28 November 2013**

<b>Contents</b>	<b>Pages</b>
Strategic Report . . . . .	F-24 – F-28
Directors' Report . . . . .	F-29 – F-34
Independent Auditors' Report . . . . .	F-35 – F-36
Consolidated Profit and Loss Account . . . . .	F-37
Consolidated Balance Sheet . . . . .	F-38
Company Balance Sheet . . . . .	F-39
Consolidated Cash Flow Statement . . . . .	F-40
Consolidated Statement of Total Recognised Gains and Losses . . . . .	F-41
Consolidated Statement of Shareholders' Deficit . . . . .	F-41
Notes to the Financial Statements . . . . .	F-42 – F-64

## **Strategic Report for the period ended 28 November 2013**

The directors present their strategic report of Vougeot Bidco plc ("the Company") and its subsidiaries ("the Group") for the period from incorporation on 2 May 2013 to 28 November 2013.

There are no comparative results presented for the period, in either the Strategic or Directors' report, as this is the first period of reporting for the Company and the Group.

The Company was incorporated on 2 May 2013.

On 8 August 2013 the Company acquired 100% of the ordinary share capital in Vue Entertainment International Limited, which was the top holding company of the Vue cinema operating group. At this date the Group was formed and trading activity was commenced. Further details of the acquisition are provided in note 34 to the financial statements.

As part of financing of the acquisition the Company issued senior secured fixed and floating notes. The notes require quarterly reporting which includes a discussion of the performance of the Group on a proforma basis. A copy of this reporting is available in the investor section on the Group website which contains unaudited and non-statutory information.

The Company is a company controlled by OPE Vougeot Holdings Ltd, PE12GV (Artist) Ltd. and PE12PX (Artist) Ltd., investment vehicles for OMERS Administration Corporation, OCP Trust and Her Majesty the Queen in right of Alberta. As a result, OPE Vougeot Holdings Ltd, PE12GV (Artist) Ltd. and PE12PX (Artist) Ltd are the new ultimate controlling parties of the Company and the Group. Further details of controlling parties are provided in note 38 to the financial statements.

### **Principal Activities**

The principal activity of the Company is a holding company which provides management services to the Group. The principal activity of the Group is the development and operation of state-of-the-art multiplex cinemas.

At 28 November 2013, the Group operates a chain of 149 cinema sites. 81 of these sites are in the UK, one in Eire, 30 in Germany, three in Denmark, one in Portugal, one in Taiwan, 30 in Poland, one in Latvia and one in Lithuania.

### **Review of the period**

In the Strategic Report and the accompanying Directors' Report, the Company presents a fair review of the business of the Group, including a description of the principal risks and uncertainties facing the Group and an analysis of the development and performance of the business during the period and position at the period end.

Further additional information is provided in accordance with the Walker Guidelines for Portfolio Companies owned by private equity investors.

The Strategic Report, Directors' Report and financial statements contain certain forward looking statements with respect to the financial condition, results, operations and business of the Group. By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. No assurances can be given that the forward looking statements are reasonable as they can be affected by a wide range of variables not wholly within the Group's control.

The forward looking statements reflect the knowledge and information available at the date of preparation of the Strategic Report, Directors' Report and financial statements, and will not be updated during the year. Nothing in the Strategic Report, Directors' Report and financial statements should be construed as a profit forecast.

### **Acquisitions**

On 30 September 2013 the Group acquired 100% of the share capital of Multikino S.A., a leading Polish multiplex operator. Multikino S.A. operates 30 cinemas in Poland and a further two cinemas in Lithuania and Latvia. Further details of the acquisition are provided in note 35.

## **Strategic Report**

### **for the period ended 28 November 2013 — (continued)**

Subsequent to the balance sheet date an agreement has been made to acquire the remaining 2.52% of the shares in CinemaxX AG that were previously not owned by the Group. Following the acquisition of the shares, CinemaxX AG is now fully delisted from all stock exchanges. Further details of the acquisition are provided in note 37.

#### **Results in the period**

Group operating profit for the period was £11.0m.

The retained loss for the Group after taxation, finance costs and minority interest amounted to £18.7m.

Total net cash inflow for the period amounted to £0.2m as set out below.

Net cash inflow from operating activities for the period was £17.4m driven by trading performance of the Group. This includes a £6.9m cash outflow from working capital which was driven by a decrease in creditors.

Net interest paid was £3.8m relating primarily to the senior secured notes. Taxation of £1.5m was also paid.

Net cash outflow on capital expenditure and other investments during the period was £990.1m. The net cost of the acquisition of the Vue Entertainment International Limited and Multikino S.A. totalled £981.0m. Capital investment in the cinemas and related assets, net of landlord contributions, was £9.2m.

Net cash inflow from financing activities was £978.3m. Cash received from the issuing of the senior secured notes and from the revolving credit facility totalled £553.9m. £15.4m of debt issue costs were paid in respect of the new finance. A further £461.2m was received from shareholder loans issued plus £4.7m relating to an issue of shares. A bond previously held by Multikino S.A. of £25.9m and other loans totalling £0.2m were repaid during the period.

Net debt at the end of the period was £961.9m. This comprises £526.6m of senior secured notes, £482.2m of shareholder loans, £6.6m of other loans, £2.0m of revolving credit facility borrowings and £55.5m of cash.

#### **Strategy**

The Group's objective is to achieve growth through a combination of business improvements, organic growth and acquisitions. Business improvements have been achieved through such initiatives as the implementation of new pricing policies, digital, 3D, VIP seating and VueXtreme screens.

In the UK, Vue opened three sites in 2013; Cramlington in the North East of England opened on 5 July 2013 with nine screens. The cinema is part of a leisure extension to an existing town centre shopping mall that includes new bars and restaurants. Bicester, a town near to Oxford and close to Bicester Outlet Mall opened with seven screens on 11 July 2013. This cinema is part of a revitalised town centre development comprising new retail, bars and restaurants. Glasgow Fort is an existing highly successful out of town Retail Park situated to the North East of Glasgow City Centre at Junction 10 on the M8. This site opened on 23 August 2013 with eight screens. All of these new sites are built to Vue's high standards and include stadium seating and VIP seats in all screens. In Cramlington and Glasgow Fort, a supersized large format 'VueXtreme' screen was introduced as part of the cinema offer, which also includes the new Dolby Atmos 3D sound system which is now part of the VueXtreme screen offer.

In Poland, Multikino opened three sites in 2013; Tychy and Czechowice-Dziedzice are both in the southern region of Silesia, where the largest city is Katowice. Tychy opened with five screens on 15 March 2013 and Czechowice-Dziedzice opened on 24 October 2013 with four screens. The third site to open in Poland in 2013 was Lublin, which is in the western region of Poland. The cinema opened on 9 November 2013 with eight screens. All screens have stadium seating as standard and include Vue's premium priced VIP seating. Consistent with the style of operations employed by Vue in the UK market since 2001, they include a combined Ticket at Any Till operation where all tickets are sold from the retail stands.

The Group has been successful in identifying several further opportunities for multiplex development and plans to open two new state-of-the-art cinemas in Farnborough (UK) & Olsztyn (Poland) in 2014. These

## Strategic Report for the period ended 28 November 2013 — (continued)

sites are in addition to the recent openings at Gateshead (UK) and Katowice (Poland) both of which were opened on 20 December 2013 and have nine and ten screens respectively.

The Group continues to explore appropriate acquisition opportunities as they arise.

### Market Environment Trends and Factors Affecting Future and Current Performance

#### Admissions and Gross Box Office Revenues (GBOR)

The recent annual trend of market Admissions and GBOR for the three key territories within the business are shown in the table below<sup>1</sup>.

<b>Admissions (m)</b>	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2013 vs 2012</b>
UK . . . . .	163.9	170.6	– 3.9%
Germany . . . . .	127.9	133.7	– 4.3%
Poland . . . . .	35.7	39.1	– 8.7%
<b>GBOR</b>	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2013 vs 2012</b>
UK (£m) . . . . .	1,074.8	1,076.5	– 0.2%
Germany (€m) . . . . .	1,008.6	1,003.6	0.5%
Poland (PLNm) . . . . .	654.0	720.2	– 9.2%

Despite UK annual admissions falling by 3.9% in 2013, the GBOR only fell short of the record set in 2012 by 0.2% and exceeded £1.0bn for the fourth year in a row. The abundance of high quality 3D films helped the average ticket price to grow during 2013.

In Germany, annual admissions were down by 4.3%, but helped by the success of 3D films in the market the overall box office was up 0.5% and again exceeded €1.0bn.

In Poland, annual admissions were down by 8.7% suffering mainly from a less appealing kids' films line-up than 2012. With ATP being impacted by the lower priced offerings from one-screen independent cinemas, market GBOR reduced by 9.2%.

### Digital

As at 28 November 2013 the Vue Group is 100% digital after the final screens were converted in Germany in July 2013. The Sony 4K projectors installed in 95% of Vue and CinemaxX screens provide audiences with state-of-the-art on-screen presentation — immersive flicker-free 3D and superior 8.8 million pixel 2D quality as compared to the 2K projectors typically in use elsewhere. The conversion of the Group's projection systems to digital represents a long term investment enabling it to offer numerous benefits to its customers. Digital allows: greater variety of films through programming flexibility, greater choice through alternative "event cinema" such as Doctor Who in 3D and Warhorse live from the National Theatre and new and exciting formats such as High Frame Rate film versions (e.g. The Hobbit) which appeal to the true cinema enthusiast.

### VueXtreme

The VueXtreme screens are super-sized large format screens with 3D capability. VueXtreme has proven highly popular among cinema-goers as a screen of first choice and due to this success the Group now has converted 14 VueXtreme screens in total in the UK and opened its first VueXtreme screen in Katowice in Poland during December 2013. We will continue to assess opportunities within the acquired circuits to roll these out further.

### Screen Advertising

General economic conditions for screen advertising continue to be challenging across all territories. Along with other advertising media businesses, screen advertising continues to face issues such as the consolidation of the advertising buying base and the continued rise of online/digital advertising. Screen

<sup>1</sup> Source: UK — IBOE; Germany — FFA; Poland — boxoffice.pl (calendar months December to November)

## Strategic Report for the period ended 28 November 2013 — (continued)

advertising companies are responding by promoting the flexibility of digital projection capabilities, reaffirming the substantial impact associated with advertising on a cinema screen and diversifying their advertising capabilities through alternative channels such as Apps in order to drive brand count and overall spend.

### Key performance indicators

The board monitors progress on the overall Group strategy by reference to several key performance indicators which include market share (admissions and GBOR), operating profit margin and Group EBITDA. All figures stated below reflect the results of the Group for the period 2 May to 28 November 2013.

Operating profit margin and Group EBITDA KPI's are shown below:

	Period ended 28 November 2013
Operating profit (non statutory)* . . . . .	£65.8m
Operating profit margin (non statutory)* . . . . .	40.8%
Group EBITDA** . . . . .	£29.0m

\* Operating profit per the Group's management accounts excludes depreciation, rent and other property charges and other items.

\*\* Group EBITDA is stated before taking into account depreciation, amortisation, pre-opening, site abandonment costs and other costs.

KPI period results include the results of Multikino S.A. as from the date of acquisition on 30 September 2013.

### Future outlook

2014 has a similar look to that seen in the market during 2013. Some of the highlights for 2014 include the second film in The Hobbit trilogy, The Desolation of Smaug, The Lego Movie which could well start a new franchise, the 3<sup>rd</sup> instalment of the Hunger Games series, Transformers 4, a new Godzilla film, How to Train Your Dragon 2, the film version of the highly successful stage musical Jersey Boys, Dawn of the Planet of the Apes and to close the year the new film from Christopher Nolan, who directed the Dark Knight films and Inception in 2012, who returns with a Sci Fi futuristic thriller called Interstellar.

Highly anticipated local productions in Germany include Fack Ju Göhte, Der Medicus, Männerhort, Doktorspiele and Schossgebiete. In Poland, Jack Strong is expected to perform very well.

### Principal Risks and Uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The management formally reviews risks and appropriate processes are put in place to monitor and mitigate them.

The key business risks affecting the Group are set out below:

### Film Quality

The attractiveness of the films released in any period is the main determinant of the Group's admissions, which in turn drives revenues and profitability. The major US studios and the vibrant British film industry continue to develop successful films and new film franchises capable of producing reliable and recurring revenue streams. The film industry in Germany also continues to produce successful films in the German market that help drive the local box office. In addition, the completion of the Group digital projection rollout programme is expected to unlock multiple, as yet untapped, alternative revenue streams including music events, sporting events and gaming activities.

In Poland the film industry is driven by a mix of big foreign productions, films for children and local productions. In 2013, there were less of these productions with a resultant impact on performance.



**Strategic Report**  
**for the period ended 28 November 2013 — (continued)**

**Competition**

The Group operates in a competitive market place with other operators having sites within the catchment areas of many of the Group cinemas. To mitigate this risk our operations team regularly monitor the guest visits and customer experience within their local markets. This risk is further mitigated as a result of the high proportion of state-of-the-art, stadium seated, high quality multiplexes within its portfolio. The Group also invests significant amounts in maintaining and improving its cinema estate.

**Essential Contractual and Other Arrangements**

The Group's main suppliers are the distributors of the film product that drives admissions at the Group's cinemas. The relative importance of each distributor varies over time in line with the relative attractiveness of the individual films that they release each year. The Group has also continued to develop relationships with leading brands in the retail area including Coca Cola, Britvic, Ben and Jerrys, Cadburys and Ritter Sport.

On behalf of the board

Alan McNair  
Director  
25 March 2014

## **Directors' Report for the period ended 28 November 2013**

The directors present their report and the audited consolidated financial statements of the Group and the Company for the period from 2 May 2013 to 28 November 2013.

### **Results and Dividends**

The retained loss for the Group after taxation, finance costs and minority interest amounted to £18.7m. Further discussion of the results and performance of the Group is provided in the Strategic Report on pages F-24 to F-28.

The directors do not recommend that a dividend be paid.

### **Future developments**

A discussion of future developments of the Company and Group has been included in the Strategic Report.

### **Directors**

The directors who held office during the period and up to the date of signing these financial statements, unless otherwise stated, were as follows:

Alnery Incorporations No.1 Limited . . . . .	Appointed 2 May 2013 Resigned 6 June 2013.
Alnery Incorporations No.2 Limited . . . . .	Appointed 2 May 2013 Resigned 6 June 2013
Katherine Astley . . . . .	Appointed 2 May 2013 Resigned 6 June 2013
Peter Teti . . . . .	Appointed 6 June 2013
Robert Mah . . . . .	Appointed 6 June 2013
Simon Jones . . . . .	Appointed 6 June 2013
Michael Redman . . . . .	Appointed 6 June 2013
Stephen Knibbs . . . . .	Appointed 8 August 2013
Alan McNair . . . . .	Appointed 8 August 2013
J. Timothy Richards . . . . .	Appointed 8 August 2013

### **J. Timothy Richards — Chief Executive Officer**

In the past 24 years in the cinema exhibition industry, Tim has developed extensive international development and operational experience in over 14 major international markets in Europe, South America, Australia and the Far East. Before entering the entertainment industry, Tim was a Wall Street lawyer engaged in international finance and cross-border mergers and acquisitions while based in London and New York. Tim is currently a Governor of the British Film Institute ("BFI"), Director of Skillset and an elected member of the BAFTA Council.

### **Alan McNair — Chief Financial Officer & Deputy Chief Executive Officer**

Alan has over 35 years in the entertainment and leisure business. He has extensive senior management experience in a wide number of international markets, starting in film distribution in 1979, followed by video distribution and since 1987, in international cinema exhibition. Prior to joining Tim in 1999, Alan held the position of Executive Vice President and CFO of United Cinemas International (UCI) worldwide. Alan joined UCI at its inception in 1989 when the company was only operating a handful of cinemas in the UK and as CFO helped steer them to become one of the largest and most successful cinema operators worldwide. Alan has been named the International Exhibitor of the Year by CineEurope in 2014.

### **Steve Knibbs — Chief Operating Officer**

Steve joined Vue in 2003. Steve has over 25 years experience in the cinema and leisure business starting in 1985 with Allied Lyons covering pubs, restaurants and hotels. His career in cinema began in 1987

**Directors' Report**  
**for the period ended 28 November 2013 — (continued)**

when he joined AMC as a Manager of the UK's first purpose built multiplex cinema progressing to Area Manager with AMC. Following the acquisition of AMC by UCI he rapidly progressed to Managing Director of the UK and Ireland where he guided the team that developed the next generation of stadium seated cinemas. In 1999 Steve was appointed Senior Vice President of Northern Europe for UCI where he oversaw operations in the UK, Ireland, Poland, Czech Republic and Hungary. In 2003 he left UCI to join Tim, Alan and the Vue team.

**Simon Jones — Non Executive**

Simon Jones is a Director at OPE U.K. Simon joined OPE U.K. in February 2010 and has been responsible for transacting and monitoring OPE's investments in HayFin and Vue. Prior to joining OPE U.K., Simon worked within PricewaterhouseCoopers' Corporate Finance advisory practice in London from 2004 to 2010. He has a Bachelor of Science in International Business and French from the University of Warwick and is an ACA Chartered Accountant.

**Robert Mah — Non Executive**

Robert Mah is Executive Vice President, Private Investments at AIMCo, having joined in December 2010 after 20 years as an investment banker. Prior to AIMCo, Robert has worked at Scotia Capital as Managing Director responsible for Investment Banking and, prior to that, with Rothschild (Canada). He has a Bachelor of Commerce in Finance and Economics from McGill University and a Master's Degree in Business Administration from the University of Toronto's Rotman School.

**Mark Redman — Non Executive**

Mark Redman is a Senior Managing Director and Head of Europe for OMERS Private Equity. Mark joined OPE U.K. in September 2009 and has led OPE's investments in HayFin, V.Group, Lifeways, Civica and Vue to date. Prior to OPE U.K., Mark worked at Grant Thornton as a corporate finance advisor until 1996, when he joined 3i. During his time at 3i, he helped open and grow 3i's Amsterdam office and also developed its market entry strategy for Turkey. Mark has a Master's Degree in Modern History from Oxford University and is an ACA Chartered Accountant.

**Peter Teti — Non Executive**

Peter Teti is Senior Vice President, Private Equity and Relationship Investments at AIMCo, having joined in September 2012. Previously, Peter was a Managing Director of Rothschild (Canada) Inc. and has worked in investment banking for 16 years in Toronto and London. He has a Bachelor of Commerce (Honors) from Queen's University and is an ACA Chartered Accountant.

**Private Equity Ownership**

The Company is a subsidiary of Vougeot Holdco Limited. Vougeot Holdco Limited is a Jersey company controlled by private equity funds. These funds are controlled OPE Vougeot Holdings Ltd, PE12GV (Artist) Ltd. and PE12PX (Artist) Ltd., investment vehicles for OMERS Administration Corporation, OCP Trust and Her Majesty the Queen in right of Alberta.

OMERS administers one of the largest pension funds in Canada with over C\$65 billion in net assets as at December 31, 2013. It invests in several asset classes including private equity, infrastructure, real estate, public equity and fixed income. OMERS has been investing in private equity since 1987, with 10.7% of its net investment assets (in excess of C\$7 billion) currently allocated to private equity investments. With 32 investment professionals, the group is headquartered in Toronto with offices in New York and London.

AIMCo is one of the largest public sector asset managers in Canada, with approximately C\$70 billion in assets under management as at March 31, 2013. AIMCo manages capital for Alberta public sector pension plans, Alberta Government endowment funds and the Province of Alberta. AIMCo manages investments across a wide variety of asset classes, including public equities, fixed income, real estate, timberlands, infrastructure and private equity. AIMCo currently has approximately C\$2.5 billion allocated to fund and direct investments within its growing private equity program. AIMCo has over 330 employees located at its

## **Directors' Report**

### **for the period ended 28 November 2013 — (continued)**

head office in Edmonton, Alberta and satellite offices located in Toronto, Ontario and London, United Kingdom.

On 8 August 2013 the Company acquired 100% of the ordinary share capital in Vue Entertainment International Limited, which was the top holding company of the Vue cinema operating group. Vue Entertainment International Limited was previously controlled by private equity funds managed by Doughty Hanson & Co. Doughty Hanson & Co acquired the Vue cinema operating group on 21 December 2010.

Upon issuing of all shares, the main shareholders in Vougeot Holdco Limited will be:

OPE Vougeot Holdings Ltd . . . . .	39.35%
PE12GV (Artist) Ltd. and PE12PX (Artist) Ltd. combined . . . . .	39.35%
Employees . . . . .	21.30%

### **Directors' Liabilities Insurance**

During the period to 28 November 2013 and at the date of approval of the financial statements, the Company and Group maintained liability insurance for its directors and officers.

### **Post Balance Sheet Events**

Post balance sheet events are discussed in note 37 to the financial statements.

### **Financial Risk Management**

The Group operations expose it to a variety of financial risks that include liquidity, interest rate and foreign exchange risks. The Group has mechanisms in place that seek to limit the impact of adverse effects of these risks on the financial performance of the Group.

#### **Liquidity Risk**

The Group actively manages its finances to ensure that the Group has sufficient funds available for its operations.

#### **Interest Rate Cash Flow Risk**

The Group manages its exposure to interest rate movements by way of interest rate swaps as described below. The directors keep the exposure to interest rate fluctuations under constant review.

#### **Foreign Exchange Risk**

The Group has foreign currency assets and liabilities. The Group does not currently use financial instruments to manage the risk of fluctuating exchange rates other than for the specific acquisition transactions as mentioned below. As such no hedge accounting is applied. The directors keep these measures under constant review.

### **Financing**

The Group has both short and long term financing in place to meet the ongoing requirements of the business. Short term financing takes the form of cash balances available, a revolving credit facility and certain shareholder loans. The longer term financing of the Group is provided by senior secured floating euro and fixed sterling denominated notes and certain shareholder loans. Further details of the financing facilities can be found in note 20 to the financial statements.

The directors monitor all loan facilities very closely and produce forecasts over their term. These forecasts are updated quarterly and sensitivity analysis is performed regularly to ensure there is adequate covenant headroom over the life of the facilities. Formal covenant reporting is provided to the lenders under both the RCF and senior secured notes.

**Directors' Report**  
**for the period ended 28 November 2013 — (continued)**

**Financial Instruments**

On 8 August 2013 the Company entered into two swaps with Lloyds TSB Bank PLC (Lloyds) and Nomura International PLC (Nomura). Both swaps have a notional value of €115.9m and a termination date of 15 July 2016. Under the Lloyds swap the Company pays a fixed interest rate of 1.147%. Under the Nomura swap the company pays a fixed rate of 1.027%. These swaps replaced the swaps held by the Vue Entertainment International Limited group taken out to hedge its bank facilities in place before the acquisition.

The Company entered into a currency swap to hedge the euro denominated cash flows resulting from the acquisition of the Vue Entertainment International Limited group. This swap has since been settled and is no longer in place at 28 November 2013.

**Branch**

The Group operates a branch in Dublin, Eire.

**Research and Development**

The Group continues to invest in the design, maintenance and operation of its cinemas in order to ensure customers are provided with the ultimate guest experience every time they visit one of the Group's cinemas.

**Social and Community Issues**

The Group actively works with local communities in which the business operates and always tries to attract people to fill vacancies from those communities.

**Environmental Matters**

The management of the Vue operating group acquired were working on initiatives which have been continued by the Group since acquisition. Vue management have continued a programme of capital and operational initiatives during 2013 that has delivered major reductions in the Group's carbon footprint including environmentally beneficial projects in relation to water conservation and waste management.

In the UK, Vue has a long term target to recycle 95% of all waste produced at our cinemas and head office. Following a good start in 2011 of 35%, Vue recycled 60% in 2012, 60% in 2013 and anticipates increasing the level of recycling to 75% for all Vue managed sites in 2014.

During 2012 waterless urinal technology has been fitted to all those cinemas in the UK that did not previously benefit from this. As a result of waterless technology, Vue has reduced water consumption by 28% between 2011 and 2013.

During 2013 Vue continued to implement measures that have led to reductions in our electricity consumption. During 2013, Vue used 9.6% less electricity than in 2012. These reductions were achieved as a result of several major capital projects including energy efficient lighting, enhancements to our heating, ventilation and air conditioning equipment and controls and additional management procedures in relation to operational best practice.

Vue will continue to develop its energy saving strategy during 2014 and plan to roll out these schemes across our acquired sites throughout the Group.

**Employees**

**Creating and Retaining High Performing Employees**

Creating and retaining talented employees is a fundamental part of the Group strategy as is our ability to develop transferable skills, retain knowledge within the business and offer employees new career paths and opportunities.

## **Directors' Report for the period ended 28 November 2013 — (continued)**

### **Reward and Recognition**

The Group's reward and recognition strategy is designed to ensure that employees are aligned to the Group's goals. Performance is driven by continuously reviewing and improving incentive plans that align all employees to the delivery of key business priorities and targets. Pay and benefit structures are competitive and are regularly benchmarked against relevant external data.

### **Learning and Development**

The Group is committed to providing training and on-going development that is aligned to business and employee needs. Modular training frameworks create clear career paths for employees, ensuring that they fulfil their potential and have the skills and ability required to effectively perform their roles. In addition to this, as the business continues to change, develop and grow, focused training and development programmes are designed and delivered that support employees with the acquisition of new skills and capabilities. There are also bespoke and targeted development programmes for employees in the internal talent pools that support management succession plans. These talent pipelines ensure that critical vacancies are filled quickly and effectively.

### **Employee Involvement and Communication**

The Group seeks to engage all employees in both its short and long term goals. This is achieved through a number of 2-way communication methods such as senior management briefings, employee forums and newsletters.

The Employee forums are made up of independently elected representatives. A number of regional forums exist that are made up of representatives from each of the business units. These meetings provide the framework for the Group's consultative process; representatives provide invaluable feedback and input on a wide range of issues including customer service, business efficiency, performance improvement and employee benefits.

The Group operates a number of incentive schemes. These reinforce the philosophy of encouraging employees to contribute directly to the achievement of the Group's goals and of rewarding individual and collective success.

### **Equality of Opportunity**

The Group is committed to making full use of the talents within the business and therefore provides equal opportunities for all. Employment decisions which include recruitment, promotion, compensation, benefits, performance management and training are based on an individual's skills, performance and behaviour and how these relate to the requirements of the business.

It is the policy of the Group that disabled people, whether registered or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The Group is prepared to modify procedures or equipment, wherever this is practicable, so that full use can be made of an individual's abilities.

### **Directors' Responsibilities Statement**

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;



**Directors' Report**  
**for the period ended 28 November 2013 — (continued)**

- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Statement of disclosure of information to auditors**

Each of the persons who is a director in office at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Independent auditors**

PricewaterhouseCoopers LLP have indicated their willingness to serve as auditors for the coming period and a resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the next Annual General Meeting.

On behalf of the board

Alan McNair  
Director  
25 March 2014

## **Independent Auditors' Report to the Members of Vougeot Bidco plc**

### **Report on the financial statements**

#### **Our opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 28 November 2013 and of the Group's loss and cash flows for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

#### **What we have audited**

The financial statements for the period ended 28 November 2013, which are prepared by Vougeot Bidco plc, comprise:

- the Consolidated and Company Balance Sheet as at 28 November 2013;
- the Consolidated Profit and Loss Account and Consolidated Statement of Total Recognised Gains and Losses for the period then ended;
- the Consolidated Cash Flow Statement for the period then ended;
- the Consolidated Statement of Shareholders' Deficit for the period then ended;
- the notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Consolidated Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on matters prescribed by the Companies Act 2006**

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditors' Report to the Members of  
Vougeot Bidco plc — (continued)**

**Other matters on which we are required to report by exception**

**Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page F-33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Philip Stokes (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
25 March 2014

**Vougeot Bidco plc**  
**Consolidated Profit and Loss Account**  
**for the period ended 28 November 2013**

	Notes	Period ended 28 November 2013 £'000
<b>Turnover — acquisitions</b> . . . . .		<b>161,384</b>
<b>Turnover</b> . . . . .	2	<b>161,384</b>
Cost of sales . . . . .		<b>(58,642)</b>
<b>Gross profit</b> . . . . .		<b>102,742</b>
Administrative expenses . . . . .		<b>(91,703)</b>
<b>Operating profit — acquisitions</b> . . . . .	3	<b>11,039</b>
Interest receivable and similar income . . . . .	6	<b>58</b>
Interest payable and similar charges . . . . .	7	<b>(30,829)</b>
<b>Loss on ordinary activities before taxation</b> . . . . .		<b>(19,732)</b>
Tax credit on loss on ordinary activities . . . . .	8	<b>1,239</b>
<b>Loss on ordinary activities after taxation</b> . . . . .		<b>(18,493)</b>
Minority interests . . . . .		<b>(181)</b>
<b>Loss for the financial period</b> . . . . .		<b>(18,674)</b>

There is no difference between the loss on ordinary activities before taxation and the loss for the financial period stated above and their historical cost equivalents.

The above results relate to acquisitions.

The notes on pages F-42 to F-64 form an integral part of these financial statements.

**Vougeot Bidco plc**  
**Consolidated Balance Sheet**  
**as at 28 November 2013**

	Notes	As at 28 November 2013 £'000
<b>Fixed assets</b>		
Intangible assets . . . . .	10	723,692
Tangible assets . . . . .	11	356,271
Investment in associate . . . . .	13	238
		<u>1,080,201</u>
<b>Current assets</b>		
Stock . . . . .	15	2,743
Debtors: amounts falling due within one year . . . . .	16	39,291
Debtors: amounts falling due after more than one year . . . . .	16	25,587
Cash at bank and in hand . . . . .	17	55,491
		<u>123,112</u>
<b>Creditors: amounts falling due within one year</b>		
Loans (net of unamortised issue costs) . . . . .	18,20	(35,186)
Other creditors . . . . .	18	(115,572)
		<u>(150,758)</u>
<b>Net current liabilities</b> . . . . .		<u>(27,646)</u>
<b>Total assets less current liabilities</b> . . . . .		<u>1,052,555</u>
<b>Creditors: amounts falling due after more than one year</b>		
Loans (net of unamortised issue costs) . . . . .	19,20	976,068
Other creditors . . . . .	19	51,066
Provision for liabilities . . . . .	21	41,118
		<u>1,068,252</u>
<b>Capital and reserves</b>		
Called up share capital . . . . .	23	4,718
Profit and loss account . . . . .	25	(22,128)
<b>Total shareholders' deficit</b> . . . . .		<u>(17,410)</u>
Minority interests . . . . .		<u>1,713</u>
<b>Capital employed</b> . . . . .		<u>1,052,555</u>

The notes on pages F-42 to F-64 form an integral part of these financial statements.

Approved by the Board of Directors and signed on its behalf by:

Alan McNair  
Director  
25 March 2014

**Vougeot Bidco plc**  
**Company Balance Sheet**  
**as at 28 November 2013**

	<u>Notes</u>	<u>As at 28 November 2013 £'000</u>
<b>Fixed assets</b>		
Investments . . . . .	12	<b>204,976</b>
		<b>204,976</b>
<b>Current assets</b>		
Debtors: amounts falling due within one year . . . . .	16	<b>816,045</b>
Cash at bank and on hand . . . . .	17	<b>919</b>
		<b>816,964</b>
<b>Creditors: amounts falling due within one year</b>		
Loans (net of unamortised issue costs) . . . . .	18,20	<b>(33,203)</b>
Other creditors . . . . .	18	<b>(28,732)</b>
		<b>(61,935)</b>
<b>Net current assets</b> . . . . .		<b>755,029</b>
<b>Total assets less current liabilities</b> . . . . .		<b>960,005</b>
<b>Creditors: amounts falling due after more than one year</b>		
Loans (net of unamortised issue costs) . . . . .	19,20	<b>975,559</b>
<b>Capital and reserves</b>		
Called up share capital . . . . .	23	<b>4,718</b>
Profit and loss account . . . . .	25	<b>(20,272)</b>
<b>Total shareholders' deficit</b> . . . . .		<b>(15,554)</b>
<b>Capital employed</b> . . . . .		<b>960,005</b>

The notes on pages F-42 to F-64 form an integral part of these financial statements.

Approved by the Board of Directors and signed on its behalf by:

Alan McNair  
Director  
25 March 2014



**Vougeot Bidco plc**  
**Consolidated Cash Flow Statement**  
**for the period ended 28 November 2013**

	Notes	Period ended 28 November 2013 £'000
<b>Operating activities</b>		
Net cash inflow from operating activities . . . . .	31	<u>17,392</u>
<b>Return on investments and servicing of finance</b>		
Interest received . . . . .		54
Interest paid . . . . .		<u>(3,874)</u>
<b>Net cash outflow from returns on investments and servicing of finance . . .</b>		<b>(3,820)</b>
Taxation paid . . . . .		<b>(1,477)</b>
<b>Cash outflow for capital expenditure and other financial investments</b>		
Payments to acquire tangible assets . . . . .		<b>(10,470)</b>
Landlord contributions received . . . . .		1,302
Acquisitions . . . . .		<b>(1,037,278)</b>
Cash balance acquired on acquisition . . . . .		<u>56,309</u>
<b>Net cash outflow from capital expenditure and other financial investments</b>		<b>(990,137)</b>
<b>Net cash outflow before financing activities . . . . .</b>		<b><u>(978,042)</u></b>
<b>Financing activities</b>		
Senior secured notes and revolving credit facility received . . . . .		553,905
Multikino acquired debt repaid . . . . .		<b>(25,889)</b>
Issue costs paid . . . . .		<b>(15,429)</b>
Repayment of other loans . . . . .		<b>(214)</b>
Issue of ordinary shares . . . . .		4,718
Issue of shareholder loans . . . . .		<u>461,199</u>
<b>Net cash inflow from financing activities . . . . .</b>		<b><u>978,290</u></b>
<b>Increase in cash . . . . .</b>	32	<b><u>248</u></b>

The notes on pages F-42 to F-64 form an integral part of these financial statements.

**Vougeot Bidco plc**  
**Consolidated Statement of Total Recognised Gains and Losses**  
**for the period ended 28 November 2013**

	Period ended 28 November 2013 £'000
Loss for the financial period . . . . .	(18,674)
Foreign exchange movement . . . . .	(3,454)
<b>Total recognised losses relating to the financial period . . . . .</b>	<b><u>(22,128)</u></b>

**Consolidated Statement of Shareholders' Deficit**  
**for the period ended 28 November 2013**

	Share Capital £'000	Profit and Loss Account £'000	Total Shareholders' Deficit £'000
Balance as at 2 May 2013 . . . . .	—	—	—
Loss for the financial period . . . . .	—	(18,674)	(18,674)
Foreign exchange movement . . . . .	—	(3,454)	(3,454)
Net reduction for the period . . . . .	—	(22,128)	(22,128)
Share capital issued . . . . .	4,718	—	4,718
<b>Closing Shareholders' deficit as at 28 November 2013 . . . . .</b>	<b><u>4,718</u></b>	<b><u>(22,128)</u></b>	<b><u>(17,410)</u></b>

The notes on pages F-42 to F-64 form an integral part of these financial statements.

**Vougeot Bidco plc**  
**Notes to the Financial Statements**  
**for the period ended 28 November 2013**

**1 Accounting Policies**

**a) Basis of preparation**

These financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom ("UK GAAP reporting").

A summary of the more important Group accounting policies is set out below.

The financial statements have been prepared on a going concern basis. The directors deemed it appropriate to prepare the accounts on a going concern basis having given due regard to the trading results and capital structure of the Group. In particular the working capital requirements of the Group are met by the Group's available cash balance combined with the revolving credit facility provided under the agreement with the Company, signed on 8 August 2013. The longer term finance of the Group is provided by senior secured floating and fixed euro and sterling denominated notes (See note 20). These notes have a termination date of 15 July 2020. As a result the directors believe that the Company and all its current subsidiaries will, for the foreseeable future, be able to continue trading and meet all their liabilities as they fall due.

There is no material difference between the fair value of financial assets and liabilities and their carrying amount.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Although these judgements, estimates and assumptions are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ. Further details regarding areas requiring significant judgements, estimates and assumptions are provided in the accounting policies below and in the relevant note to the financial statements where applicable.

Management have determined that the key areas of judgement, estimate and assumptions to disclose include the nature and obligation of onerous lease provisions, the assessment of the Group's digital investment as prepaid operating lease commitments and the carrying value of tangible fixed assets

**b) Accounting reference date**

The Company prepares financial statements for either 52 or 53 week periods ending on a Thursday within one week of 30 November. The results of the current period refer to the period from the date of incorporation of the Company (2 May 2013) to 28 November 2013, with trading results commencing from 8 August 2013, the date Vue Entertainment International Limited was acquired. There are no comparative results presented for the period as this is the first period of reporting for the Company and Group.

**c) Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings as listed in note 12. A subsidiary undertaking is fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Some of the subsidiaries of the Group do not have the same financial year-end reference date. Any such subsidiaries are included in the consolidated results of the Group based on their management account information, adjusted as appropriate to conform with the Group's accounting policies.

Intercompany transactions, balances and unrealised gains or losses on transactions between subsidiaries in the Group are eliminated on consolidation.

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**1 Accounting Policies (continued)**

**d) Acquisitions**

The identifiable assets and liabilities of the company acquired are included in the consolidated balance sheet at their fair value at the date of acquisition, and its results included in the profit and loss account from the date of the acquisition. The difference between the fair value of the consideration given and the fair values of the net assets of the entity acquired is accounted for as negative or positive goodwill as applicable.

**e) Company profit and loss**

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The amount of the loss in the Company financial statements is disclosed in note 9.

**f) Revenue recognition**

Revenue is reported net of value added tax and comprises primarily ticket and concession sales and screen advertising income. Revenue from ticket sales is reported in the period in which the film is shown. Guaranteed income from screen advertising is recognised evenly over the period to which it relates. Other screen advertising income is recognised as generated. Concession revenue is recognised at the time of sale. Other income is recognised in the period to which it relates.

**g) Depreciation**

Depreciation is provided on all tangible fixed assets in use during the period. The rates used are calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life at the following annual rates:

Freehold buildings	— 15 years
Long leasehold land and buildings	— 40 years
Short leasehold land and buildings	— 20 – 25 years (or length of the lease, if shorter)
Other cinema site assets	— 15 years (or length of the lease, if shorter)
Equipment	— 3 – 20 years
Software	— 3 – 7 years

Freehold land is not depreciated.

Construction in progress is not depreciated until projects are completed and brought into use.

**h) Impairment of fixed assets**

The carrying value of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed assets of income-generating units may not be recoverable. The need for any fixed asset impairment provision is assessed by comparison of the carrying value of an income generating unit. An income generating unit comprises either an individual site or a portfolio of related sites.

The discount rate used in assessing the value in use of the assets is the estimated weighted average cost of capital employed by the Group, adjusted as necessary for any particular risks of the subsidiary being reviewed. The weighted average cost of capital employed by the Group has been calculated as the weighted average of the internal rate of return applied in the equity funding and the Group's external debt interest rate.

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**1 Accounting Policies (continued)**

**i) Intangible fixed assets — goodwill**

Goodwill is the difference between the aggregate of the fair value of those separately identifiable assets and liabilities acquired and the fair value of the purchase consideration.

Goodwill is capitalised and amortised over its useful life, which in the opinion of the directors is 20 years. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill is written back in equal annual instalments over its assumed economic life of 20 years.

**j) Fixed asset investments**

Investments are stated at cost less provision for impairment. Investments in subsidiaries are reviewed annually for possible impairment.

**k) Stock**

Stock is valued at the lower of cost and net realisable value after making due allowance for any obsolete items.

Programming stock held in relation to the Group's distribution business is held at cost less provision for impairment. Impairment is based on the expected returns of the films for the period of distribution.

**l) Pensions**

Pension contributions, which are made to defined contribution pension plans held within the Group are charged to the profit and loss account as incurred. These contributions are invested separately from the Group's assets.

**m) Operating lease arrangements and incentives**

Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term.

Payments from lessors made for the benefit of the Group, received as a landlord contribution incentive to enter into a lease, should be recognised as deferred income and released to Landlords' Contribution within the profit or loss account on a straight line basis over the shorter of the period of the lease or over the period to the first review date at which rental is expected to be aligned with the prevailing market rate. A payment from a lessor to reimburse capital expenditure is a lease incentive if the expenditure is suitable only for the lessee rather than to enhance the property generally.

Other lease incentives, such as rent free periods, are amortised over the remaining term of the lease.

**n) Finance lease arrangements**

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future installments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future installments.

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**1 Accounting Policies (continued)**

**o) Current and deferred taxation**

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantially enacted at the balance sheet date, together with any adjustment in respect of tax payable for previous periods.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**p) Translation of foreign currencies**

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions; monetary assets and liabilities at the balance sheet date are translated at the period end rate of exchange. All exchange differences arising, whether realised or unrealised, are reported as part of the profit or loss for the period.

In respect of the Company's subsidiaries, profit and loss accounts in currencies other than sterling are translated into sterling at average exchange rates. Balance sheets are translated into sterling at the rates ruling at the period end. Exchange differences arising on consolidation are taken directly to reserves.

**q) Pre-opening and initial site development expenses**

In accordance with accounting pronouncement Urgent Issues Task Force ("UITF") Abstract 24 — "Accounting for Start up Costs", pre-opening costs are written off in the period in which they are incurred.

Expenditure of a capital nature, as set out in Financial Reporting Standard ("FRS") 15 — "Tangible Fixed Assets", is capitalised from the date at which the Board approves the development of the cinema site.

**r) Financial instruments**

Interest rate swaps contracts have been entered into as part the interest rate strategy of the Group in relation to its senior secured notes. The interest received/paid on these contracts is netted against the interest paid on the senior secured notes.

Forward exchange contracts have been used by the Group to manage currency risk in relation to acquisitions made during the period. Any exchange differences arising on settlement of the contracts have been recognised in the profit and loss account at the company level.

Senior secured notes are held on the balance sheet at their issued amount net of unamortised issue costs. Interest accrued on the senior secured notes is shown within accruals.

**s) Onerous lease**

Provision is made for onerous leases where it is considered that the unavoidable costs of the lease obligations are in excess of the economic benefits expected to be received by it. The unavoidable costs



**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**1 Accounting Policies (continued)**

of the lease reflect the net cost of exiting from the contract and are measured as the lower of the net present value of the cost of continuing to operate the lease and any penalties or other costs of exiting from it.

When calculating the provision for onerous leases the Group is required to make certain assumptions about the future cash flows to be generated from that cinema site. It is also required to discount these cash flows using an appropriate discount rate. The resulting provision is therefore very sensitive to these assumptions, however, the directors consider that the assumptions made represent their best estimate of the future cash flows generated by onerous cinema sites, and that of the discount rate to calculate the present value of those cash flows.

**t) Related party transactions**

The Company has taken advantage of the exemption contained within FRS 8 — “Related Party Transactions” not to disclose related party transactions with other members of the Group, which are wholly owned subsidiaries. Transactions with all other related parties have been disclosed in note 36.

**u) Minority interests**

Equity minority interests represent the share of the profits less losses on ordinary activities attributable to the interests of equity shareholders in subsidiaries which are not wholly owned by the Group.

**v) Share-based payment incentive plan**

Vougeot Holdco Limited has an equity-settled share-based payment incentive plan, which grants shares to certain management employees. The fair value is measured at grant date and spread over the period in which the employees are anticipated to realise value from the shares. The fair value of the shares awarded is recognised as an expense with a corresponding increase in equity as applicable.

**2 Segmental Information**

Turnover comprises the value of goods and services provided to customers exclusive of value added tax.

	<b>Period ended 28 November 2013 £'000</b>
<b>Turnover</b>	
United Kingdom . . . . .	<b>87,153</b>
Continental Europe . . . . .	<b>72,134</b>
Other . . . . .	<b>2,097</b>
	<b><u>161,384</u></b>

All turnover is derived from external customers in the local geographical market from the operation of cinema sites.

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**2 Segmental Information (continued)**

In the period ended 28 November 2013, UK turnover includes £2.0m of non-recurring income relating to the reclaim of VAT previously paid on exempt sales.

	Period ended 28 November 2013 £'000
<b>(Loss)/profit before taxation</b>	
United Kingdom . . . . .	(23,468)
Continental Europe . . . . .	3,569
Other . . . . .	167
	<u>(19,732)</u>
	As at 28 November 2013 £'000
<b>(Net liabilities)/net assets</b>	
United Kingdom . . . . .	(178,334)
Continental Europe . . . . .	164,699
Other . . . . .	(3,773)
	<u>(17,408)</u>

**3 Operating Profit**

	Period ended 28 November 2013 £'000
Operating Profit is stated after charging/(crediting):	
Loss on disposal of fixed assets . . . . .	115
Depreciation on tangible fixed assets (note 11) . . . . .	11,378
Amortisation of intangible fixed assets (note 10) . . . . .	10,859
Realised foreign exchange gains . . . . .	6
Unrealised foreign exchange gains . . . . .	(10,593)
Provision for liabilities — charge to the profit and loss account (note 21) . . . . .	3,911
Provision for liabilities — utilised during the period (note 21) . . . . .	(2,117)
Rentals under other operating leases . . . . .	29,540
Rentals under operating leases on plant and machinery . . . . .	792
Pre-opening expenses . . . . .	170

In 2011 subsidiaries of the Group made upfront payments under a lease for certain equipment. These payments are being spread for accounting purposes over the useful life of the equipment which is estimated to be seven to eight years. These form part of rentals under operating leases on plant and machinery.

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**4 Auditor remuneration**

	Period ended 28 November 2013 £'000
Fees payable to the Company's auditor and its associates for audit of the Group and Company's annual financial statements . . . . .	30
Fees payable to the Company's auditor and its associates for	
— Auditing of the financial statements of subsidiaries . . . . .	202
— Fees relating to corporate finance transactions . . . . .	2,181
— Tax advisory services . . . . .	72
— All other services . . . . .	82
	<u>2,567</u>

**5 Staff Costs**

	Period ended 28 November 2013 £'000
Wages and salaries . . . . .	20,085
Social security costs . . . . .	1,963
Other pension costs (note 29) . . . . .	97
	<u>22,145</u>

The average monthly number of employees during the period was made up as follows:

	Period ended 28 November 2013
Cinema . . . . .	6,632
Administration . . . . .	354
	<u>6,986</u>

Included in the average number of persons employed by the Company are part-time employees. No distinction is made between full-time and part-time employees in the analysis above.

**Directors' Emoluments**

	Period ended 28 November 2013 £'000
Aggregate emoluments, including benefits in kind . . . . .	2,441
Defined contribution scheme — Company contributions . . . . .	8
	<u>2,449</u>

The directors of the Company are remunerated in respect of their executive management services to both the Company and the Group as a whole. Their remuneration is borne by the Company and recharged to some of the group undertakings that have trading activities as part of a management service fee. Non executive directors are not remunerated for their services to the Company and Group.

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**5 Staff Costs (continued)**

Retirement benefits are accruing to one director under a defined contribution scheme.

	Period ended 28 November 2013 £'000
<b>Highest paid director</b>	
Aggregate emoluments, including benefits in kind . . . . .	918
Defined contribution scheme — Company contributions . . . . .	8
	<u>926</u>

**6 Interest Receivable and Similar Income**

	Period ended 28 November 2013 £'000
Bank interest . . . . .	48
Other interest . . . . .	10
	<u>58</u>

**7 Interest Payable and Similar Charges**

	Period ended 28 November 2013 £'000
Senior Secured Notes and Revolving Credit Facility . . . . .	14,163
Amortisation of capitalised issue costs . . . . .	767
Unwinding of discount factor on onerous leases (note 21) . . . . .	987
Shareholder loans — rolled up interest . . . . .	14,912
	<u>30,829</u>

**8 Taxation**

	Period ended 28 November 2013 £'000
<b>Analysis of tax for the financial period</b>	
<b>Current tax</b>	
UK corporation tax at 23.00% . . . . .	—
Group relief payments . . . . .	112
Overseas tax suffered . . . . .	182
<b>Total current tax charge</b> . . . . .	<u>294</u>
<b>Deferred tax</b>	
Origination and reversal of timing differences — UK . . . . .	(1,580)
Origination and reversal of timing differences — Overseas . . . . .	47
<b>Total deferred tax</b> . . . . .	<u>(1,533)</u>
<b>Taxation credit on loss on ordinary activities</b> . . . . .	<u>(1,239)</u>

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**8 Taxation (continued)**

**Factors affecting current tax charge for the financial period**

The standard rate of current tax for the period, based on the UK standard rate of corporation tax is 23%. The current tax charge for the period differs from the standard rate for the reasons in the reconciliation below:

	Period ended 28 November 2013 £'000
<b>Analysis of tax charge for the financial period</b>	
<b>Group</b>	
Loss on ordinary activities before tax . . . . .	(19,732)
Loss on ordinary activities multiplied by the effective rate of corporation tax in the UK of 23.00% . . . . .	(4,538)
<b>Effects of:</b>	
Depreciation in excess of capital allowances . . . . .	523
Expenses not deductible for tax purposes . . . . .	3,381
Utilisation of brought forward losses . . . . .	(37)
Foreign branch income not subject to UK tax . . . . .	(56)
Overseas tax suffered . . . . .	182
Tax losses carried forward . . . . .	859
Non-taxable income . . . . .	(22)
Other timing differences . . . . .	2
<b>Current tax charge for the financial period . . . . .</b>	<b>294</b>

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Group results for this accounting period are taxed at a rate of 23%. Further reductions to 21% (effective from 1 April 2014) and 20% (effective 1 April 2015) were substantially enacted by Parliament that received Royal Assent on 17 July 2013.

**Deferred Taxation**

Deferred tax is measured on a non-discounted basis at the tax rates which are expected to apply in the periods in which such timing differences reverse based on tax rates and laws substantively enacted at the balance sheet date. No provision has been made for deferred tax on gains recognised on the sale of property where potentially taxable gains are rolled over into replacement assets. The total amount unprovided at 28 November 2013 is £nil. At present it is not envisaged that any such tax will become payable in the foreseeable future. Unrecognised deferred taxation in the current period is £nil.

**9 Loss of the Parent Company**

The profit and loss account of the Company is not presented separately as a part of these financial statements as the Company has taken advantage of section 408 of the Companies Act. The Company's loss for the financial period ended 28 November 2013 was £20,299k.

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**10 Intangible Fixed Assets — Goodwill**

	<u>£'000</u>
<b>Cost</b>	
At 2 May 2013 . . . . .	—
Acquisitions . . . . .	734,944
Foreign exchange movements . . . . .	(396)
<b>At 28 November 2013 . . . . .</b>	<b><u>734,548</u></b>
<b>Accumulated amortisation</b>	
At 2 May 2013 . . . . .	—
Charged for the period . . . . .	(10,859)
Foreign exchange movements . . . . .	3
<b>At 28 November 2013 . . . . .</b>	<b><u>(10,856)</u></b>
<b>Net book value at 28 November 2013 . . . . .</b>	<b><u>723,692</u></b>

Goodwill relates to the purchase of 100% of the ordinary share capital in Vue Entertainment International Limited that was made on 8 August 2013, and to the purchase of 100% of the ordinary share capital in Multikino S.A. that was made on 30 September 2013 (notes 34 and 35).

**11 Tangible Fixed Assets**

	<u>Freehold Land and Buildings £'000</u>	<u>Long Leasehold Land and Buildings £'000</u>	<u>Short Leasehold Land and Buildings £'000</u>	<u>Furniture Fixture and Equipment £'000</u>	<u>Construction in Progress £'000</u>	<u>Total £'000</u>
<b>Cost</b>						
At 2 May 2013 . . . . .	—	—	—	—	—	—
Acquisitions . . . . .	6,588	15,501	249,787	82,434	4,912	359,222
Additions . . . . .	25	62	4,553	3,294	3,232	11,166
Transfers . . . . .	—	—	—	706	(706)	—
Disposals . . . . .	—	—	—	(2,219)	(135)	(2,354)
Foreign exchange movement . . . . .	(228)	(203)	(683)	(1,747)	(137)	(2,998)
<b>At 28 November 2013 . . . . .</b>	<b><u>6,385</u></b>	<b><u>15,360</u></b>	<b><u>253,657</u></b>	<b><u>82,468</u></b>	<b><u>7,166</u></b>	<b><u>365,036</u></b>
<b>Accumulated Depreciation</b>						
At 2 May 2013 . . . . .	—	—	—	—	—	—
Charge during period . . . . .	164	87	6,528	4,599	—	11,378
Disposals . . . . .	—	—	—	(2,079)	—	(2,079)
Foreign exchange movement . . . . .	(12)	(1)	(269)	(252)	—	(534)
<b>At 28 November 2013 . . . . .</b>	<b><u>152</u></b>	<b><u>86</u></b>	<b><u>6,259</u></b>	<b><u>2,268</u></b>	<b><u>—</u></b>	<b><u>8,765</u></b>
<b>Net book value at</b>						
<b>28 November 2013 . . . . .</b>	<b><u>6,233</u></b>	<b><u>15,274</u></b>	<b><u>247,398</u></b>	<b><u>80,200</u></b>	<b><u>7,166</u></b>	<b><u>356,271</u></b>

The additions for the period include an amount of £8.4m of capital expenditure accrued as at 28 November 2013 relating to expenditure on new sites and other projects.

**Company**

The Company had no tangible fixed assets at 28 November 2013.



**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**11 Tangible Fixed Assets (continued)**

**Finance lease agreements**

Included within the net book value as at 28 November 2013 is £8.4m relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £138k. The finance leases all relate to furniture, fixtures and fittings.

**12 Fixed Asset Investments**

**As at  
28 November  
2013  
£'000**

**Company**

**At 28 November 2013** . . . . . **204,976**

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The respective statutory financial year-ends of the following subsidiary undertakings is 31 December: Spean Bridge Cinemas (Algarve) Lda, Spean Bridge Luxembourg S.ar.l, Spean Bridge Luxembourg Investments S.ar.l and Spean Bridge (Taiwan) S.ar.l, Vue Beteiligungs GmbH, CinemaxX Aktiengesellschaft, CinemaxX Cinema GmbH & Co. KG, CinemaxX Entertainment GmbH & Co. KG, CinemaxX Movietainment GmbH, CinemaxX Danmark A/S, CinemaxX Cinetainment GmbH, CinemaxX Entertainment Verwaltungsgesellschaft mbH, CinemaxX Filmtheater GmbH, CinemaxX MaxXtainment GmbH, Silencium Betriebs GmbH, Verwaltung CinemaxX Cinema GmbH, Eudialyte Company Sp. zo.o., Multikino Media Sp.zo.o., SBC Taiwan Limited, SIA Multikino Latvia, UAB Multikino Lietuva and Vue Movie Distribution Sp. zo.o

The respective statutory financial year-end of Multikino S.A. is 30 June 2014.

The details of the Company's subsidiary undertakings as at 28 November 2013 are shown overleaf:

	<b>Country of registration</b>	<b>Nature of Business</b>	<b>Proportion of shares held (ordinary shares)</b>	<b>Capital &amp; Reserves £'000</b>	<b>Profit / (loss) for period £'000</b>
<b>Direct subsidiary undertakings</b>					
Vue Entertainment International Limited . . .	Jersey	Holding	100%	3,778	1,393
<b>Indirect subsidiary undertakings</b>					
Apollo Cinemas Limited . . . . .	United Kingdom	Operating	100%	6,285	1,040
CinemaxX Danmark A/S . . . . .	Denmark	Operating	94%	1,574	1,657
CinemaxX Entertainment GmbH & Co. KG .	Germany	Operating	97%	1,850	8,283
CinemaxX MaxXtainment GmbH . . . . .	Germany	Operating	73%	1,743	1,754
CinemaxX Movietainment GmbH . . . . .	Germany	Operating	97%	(1,592)	3,256
Multikino Media Sp. z o.o. . . . .	Poland	Operating	100%	(6,879)	194
Multikino S.A. . . . .	Poland	Operating	100%	27,232	(706)
SBC Taiwan Limited . . . . .	Taiwan	Operating	100%	(3,773)	726
SIA Multikino Latvia . . . . .	Latvia	Operating	100%	(337)	73
Spean Bridge Cinemas (Algarve) Lda . . . .	Portugal	Operating	100%	(3,470)	(381)
Ster Century (UK) Limited . . . . .	United Kingdom	Operating	100%	35,327	(1,855)
UAB Multikino Lietuva . . . . .	Lithuania	Operating	100%	(896)	11
Vue Entertainment Limited . . . . .	United Kingdom	Operating	100%	188,736	20,478
Vue Movie Distribution Sp. z o.o. . . . .	Poland	Operating	100%	31	192
Vue Services Limited . . . . .	United Kingdom	Operating	100%	7,530	295
CinemaxX Aktiengesellschaft . . . . .	Germany	Holding	97%	55,132	726

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**12 Fixed Asset Investments (continued)**

	Country of registration	Nature of Business	Proportion of shares held (ordinary shares)	Capital & Reserves £'000	Profit / (loss) for period £'000
CinemaxX Cinema GmbH & Co. KG . . . . .	Germany	Holding	97%	56,684	(42)
CinemaxX Cinetainment GmbH . . . . .	Germany	Holding	97%	1,057	2,266
CinemaxX Entertainment . . . . .					
Verwaltungsgesellschaft mbH . . . . .	Germany	Holding	97%	21	—
CinemaxX Filmtheater GmbH . . . . .	Germany	Holding	97%	96	134
Eudialyte Company Sp. z o.o. . . . .	Poland	Holding	100%	20,333	(488)
Shake Irish Finco Limited . . . . .	Eire	Holding	100%	48,011	(2)
Shake UK Newco Limited . . . . .	United Kingdom	Holding	100%	82,261	933
Silencium Betriebs GmbH . . . . .	Germany	Holding	97%	(5,220)	(30)
Spean Bridge Luxemburg Investments S.ar.l . . . . .	Luxembourg	Holding	100%	(14,898)	(13)
Spean Bridge Luxemburg S.ar.l . . . . .	Luxembourg	Holding	100%	(279)	(16)
Treganna BIDCO Limited . . . . .	United Kingdom	Holding	100%	(400)	(314)
Verwaltung CinemaxX Cinema GmbH . . . . .	Germany	Holding	97%	3	1
Vue Beteiligungs GmbH . . . . .	Germany	Holding	100%	43,686	(5,470)
Vue Entertainment Holdings (UK) Limited . . . . .	United Kingdom	Holding	100%	100,971	—
A3 Cinemas Limited . . . . .	United Kingdom	Holding	100%	86	—
Aurora Cinema (Ireland) Limited . . . . .	Eire	Holding	100%	18,495	—
Aurora Cinema Limited . . . . .	United Kingdom	Holding	100%	524	—
Aurora Holding Limited . . . . .	United Kingdom	Holding	100%	1,027	—
Spean Bridge (Taiwan) S.ar.l . . . . .	Luxembourg	Holding	100%	(8,155)	(15)
Vue Entertainment (UK) Limited . . . . .	United Kingdom	Holding	100%	5,736	—
Vue Entertainment Holdings Limited . . . . .	United Kingdom	Holding	100%	127,479	—
Vue Entertainment Investment Ltd . . . . .	United Kingdom	Holding	100%	(183,072)	(32,067)
Vue Holdings (Jersey) Limited . . . . .	Jersey	Holding	100%	(60,778)	(61,966)
Vue Holdings (UK) Limited . . . . .	United Kingdom	Holding	100%	(58,996)	(28,512)
Spean Bridge Cinemas (Italia) Srl . . . . .	Italy	Inactive	100%	7	—
Vue Booking Services Limited . . . . .	United Kingdom	Inactive	100%	6,534	(5)
Vue Cinemas (UK) Limited . . . . .	United Kingdom	Inactive	100%	12,455	—
Vue Cinemas Limited . . . . .	United Kingdom	Inactive	100%	9,290	—
Vue Properties Limited . . . . .	United Kingdom	Inactive	100%	73,885	—
Vue Theatres (UK) Limited . . . . .	United Kingdom	Inactive	100%	2,046	—
<b>Other group undertakings</b>					
Vue Employee Benefits Trust . . . . .	Jersey	Trust	N/A	(3)	(3)

**13 Investment in associate**

	<b>28 November 2013 £'000</b>
As at 2 May 2013 . . . . .	—
Addition . . . . .	<b>238</b>
<b>As at 28 November 2013 . . . . .</b>	<b><u>238</u></b>

**14 Employee Benefit Trust**

During the period the Group made a capital contribution of £500 to an Employee Benefit Trust (EBT), registered in Jersey. The EBT has no issued shares and the contribution from the Group is its only source of capital.

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**15 Stock**

	Group As at 28 November 2013 £'000	Company As at 28 November 2013 £'000
Finished goods and goods for resale . . . . .	<u>2,743</u>	<u>—</u>

**16 Debtors**

	Group As at 28 November 2013 £'000	Company As at 28 November 2013 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors . . . . .	11,063	—
Amounts due from shareholders . . . . .	21	—
Amounts due from group undertakings . . . . .	—	16,552
Intercompany loans receivable . . . . .	—	798,822
Other debtors . . . . .	5,229	671
Prepayments and accrued income . . . . .	<u>22,978</u>	<u>—</u>
	<b>39,291</b>	<b>816,045</b>
<b>Amounts falling due after more than one year:</b>		
Deferred tax (note 22) . . . . .	<u>25,587</u>	<u>—</u>
	<b>64,878</b>	<b>816,045</b>

Intercompany loans receivable bear interest of 9% to 11%. The termination date varies per each individual loan. All interest is capitalised on an annual basis to increase the value of the loan.

**17 Cash at bank and in hand**

	Group As at 28 November 2013 £'000	Company As at 28 November 2013 £'000
Cash — unrestricted . . . . .	47,080	919
Cash — restricted . . . . .	<u>8,411</u>	<u>—</u>
Total Cash at bank and in hand . . . . .	<u>55,491</u>	<u>919</u>

Restricted cash of £8,411k includes £3,956k of rental deposits held in relation to some of the Group's cinema sites. The remaining amount of £4,455k relates to amounts held for the purchase of the remaining minority interest in the CinemaxX AG subsidiary (note 37).

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**18 Creditors: Amounts Falling Due Within One Year**

	Group As at 28 November 2013 £'000	Company As at 28 November 2013 £'000
Trade creditors . . . . .	24,720	—
Amounts owed to group undertakings . . . . .	—	13,703
Other tax and social security . . . . .	1,283	—
Other creditors . . . . .	4,239	—
Group relief payable . . . . .	112	151
Finance leases . . . . .	1,707	—
Accruals . . . . .	62,147	14,878
Corporation tax payable . . . . .	839	—
Deferred income . . . . .	20,525	—
	<b>115,572</b>	<b>28,732</b>
Loans (net of unamortised issue costs) . . . . .	<b>35,186</b>	<b>33,203</b>
Loans . . . . .	<b>35,186</b>	<b>33,203</b>
	<b>150,758</b>	<b>61,935</b>

Amounts owed to group undertakings are interest free and are repayable on demand.

**19 Creditors: Amounts Falling Due After More Than One Year**

	Group As at 28 November 2013 £'000	Company As at 28 November 2013 £'000
Deferred income . . . . .	45,332	—
Other creditors . . . . .	1,249	—
Finance leases . . . . .	4,485	—
	<b>51,066</b>	<b>—</b>
Loans (net of unamortised issue costs) . . . . .	<b>976,068</b>	<b>975,559</b>
Loans . . . . .	<b>976,068</b>	<b>975,559</b>
	<b>1,027,134</b>	<b>975,559</b>

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**20 Loan Capital and Borrowings**

	Group As at 28 November 2013 £'000	Company As at 28 November 2013 £'000
Revolving Credit Facility . . . . .	1,983	—
Capitalised Issue Costs . . . . .	(2,048)	(2,048)
Shareholder Loans . . . . .	35,251	35,251
<b>Loans: amounts falling due within one year . . . . .</b>	<b>35,186</b>	<b>33,203</b>
Secured Euro — Floating notes . . . . .	241,365	241,365
Secured Sterling — Fixed notes . . . . .	300,000	300,000
Capitalised Issue Costs . . . . .	(12,743)	(12,743)
External Loans . . . . .	509	—
Shareholder Loans . . . . .	446,937	446,937
<b>Loans: amounts falling due after more than one year . . . . .</b>	<b>976,068</b>	<b>975,559</b>
<b>Total Loans . . . . .</b>	<b>1,011,254</b>	<b>1,008,762</b>

**Movement in loans is analysed as follows:**

	Group As at 28 November 2013 £'000	Company As at 28 November 2013 £'000
At 2 May 2013 . . . . .	—	—
Issue of Secured Euro — Floating notes . . . . .	251,923	251,923
Issue of Secured Sterling — Fixed notes . . . . .	300,000	300,000
Capitalised Issue Costs incurred . . . . .	(15,397)	(15,397)
Revolving Credit Facility drawdown . . . . .	1,983	—
Shareholder Loans issued . . . . .	467,100	467,100
External loans acquired . . . . .	614	—
External Loans repaid . . . . .	(76)	—
	<b>1,006,147</b>	<b>1,003,626</b>
Amortisation of Capitalised Issue Costs . . . . .	606	606
Interest accrued in the period . . . . .	15,088	15,088
Foreign Exchange movements . . . . .	(10,587)	(10,558)
<b>At 28 November 2013 . . . . .</b>	<b>1,011,254</b>	<b>1,008,762</b>

**Senior Secured Notes**

Senior secured fixed rate sterling denominated notes of £300m were issued on 18 July 2013 with a termination date of 15 July 2020. Interest is fixed at 7.875% and payable on a semi-annual basis. The full amount of the notes was received in cash as at 28 November 2013.

Senior secured floating rate euro denominated notes of €290m (£252m) were issued on 18 July 2013 with a termination date of 15 July 2020. Interest is floating at three month EURIBOR plus a margin of 525 bps. Interest is payable on a quarterly basis. Of the cash received, €58,148k (£50,514k) was held in escrow to be used in the acquisition of Multikino S.A. and was repayable to the note holders had the acquisition not taken place. When the acquisition was completed, the cash was released from escrow. The full amount of the notes was received in cash as at 28 November 2013. An OID fee of €1,159k (£1,007k) was paid on the date of issue of the notes.

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**20 Loan Capital and Borrowings (continued)**

**Revolving Credit Facility**

The Group is able to draw down on a £50m multicurrency revolving credit and overdraft facility with Lloyds TSB bank plc. At 28 November 2013 the facility was £1,983k drawn down. The facility is available until August 2019. The facility bears interest at LIBOR, EURIBOR, CIBOR or WIBOR depending on the currency drawn down plus a margin of 3.5%.

**Swap Contracts**

On 8 August 2013 the Company entered into two swaps with Lloyds TSB Bank PLC (Lloyds) and Normura International PLC (Nomura). Both swaps have a notional value of €115.9m and a termination date of 15 July 2016. Under the Lloyds swap the Company pays a fixed interest rate of 1.147%. Under the Nomura swap the Company pays a fixed interest rate of 1.027%. These swaps replaced the swaps held by the Vue Entertainment International Limited group taken out to hedge its bank facilities in place before the acquisition. A break fee incurred in relation to replacing the swaps was rolled into the rates applied on the new swaps taken out on 8 August 2013.

The Company entered into a currency swap to hedge the euro denominated cash flows resulting from the acquisition of the Vue Entertainment International Limited group. The swap was settled on 8 August 2013 when the acquisition took place and is therefore no longer in place at 28 November 2013.

**Capitalised Issue Costs**

Costs incurred in issuing the senior secured notes and the revolving credit and overdraft facility totalled £15,471k. The costs are capitalised and are allocated to the profit and loss account over the terms of the related debt facility. At 28 November 2013 borrowings are stated net of unamortised issue costs of £14,791k.

**Security**

The senior secured notes and revolving credit facility are secured by cross guarantees and charges over certain of the Group's shares and assets.

**Shareholder loans due within one year**

Shareholder loans relate to the German Trapped Cash Equity Bridge loan. The loan bears interest of 11.0% and has a termination date of 9 August 2033. The loan can be repaid earlier than that date if the remaining shares in CinemaxX AG not owned by the Group have been acquired, subject to a maximum payment of £38.0m for principal and accrued interest in total. Subsequent to the balance sheet date, agreement has been reached to acquire the remaining shares in CinemaxX AG (note 37) and therefore the loan has been classified as due within one year.

**Shareholder loans due after more than one year**

Shareholder loans bear interest of 11.0% and have a termination date of 9 August 2033. Early repayment can be requested but not before the termination of the senior secured notes. All interest is capitalised on an annual basis to increase the value of the loan. At 28 November 2013 accrued interest totalled £13,937k.



**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**21 Provision for Liabilities**

	Group As at 28 November 2013 £'000	Company As at 28 November 2013 £'000
Provision at beginning of period . . . . .	—	—
Onerous lease provision acquired . . . . .	38,522	—
Charge to the profit and loss account . . . . .	3,911	—
Utilised during the period . . . . .	(2,117)	—
Unwinding of discount factor on onerous leases (note 7) . . . . .	987	—
Foreign exchange movements . . . . .	(185)	—
<b>Provision at the end of the period . . . . .</b>	<b>41,118</b>	<b>—</b>

At 28 November 2013, a full review of the onerous lease provision was carried out. £4.8m of the above provision relate to amounts falling due within one year.

**22 Deferred Taxation**

The deferred tax asset shown in the balance sheet comprises:

	Group As at 28 November 2013 £'000
Recognised at start of period . . . . .	—
Deferred tax acquired . . . . .	23,182
Transfers to translation reserve . . . . .	872
Charged to profit and loss account . . . . .	1,533
<b>Recognised at end of period . . . . .</b>	<b>25,587</b>
<b>Analysis of timing differences</b>	
Depreciation in excess of capital allowances . . . . .	2,524
Tax loss carried forward . . . . .	23,048
Other timing differences . . . . .	15
	<b>25,587</b>

**23 Called up Share Capital**

	As at 28 November 2013 £'000
<b>Allotted, issued and fully paid</b>	
At 2 May 2013 . . . . .	—
Issued during the period: 4,718,100 Ordinary shares of £1 each . . . . .	4,718
<b>At 28 November 2013 . . . . .</b>	<b>4,718</b>

**24 Share-based payments**

During the period, Vougeot Holdco Limited implemented an equity-settled share-based incentive plan for certain management employees. The plan granted 1,000,000 'D' Ordinary shares. Subject to the relevant employee still being employed by the Group these shares vest as follows, either a) upon grant, b) over a three year period or c) immediately upon a trade sale or listing of the Group.

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**25 Reserves**

	Group Profit and Loss account £'000	Company Profit and Loss account £'000
At 2 May 2013 . . . . .	—	—
Loss for the financial period . . . . .	(18,674)	(20,299)
Translation (loss)/gain . . . . .	(3,454)	27
<b>At 28 November 2013 . . . . .</b>	<b>(22,128)</b>	<b>(20,272)</b>

**26 Capital Commitments**

At 28 November 2013 the Group had capital commitments as follows:

	As at 28 November 2013 £'000
Contracted . . . . .	<u>10,257</u>

**Company**

At 28 November 2013, the Company had no capital commitments.

**27 Contingent Liabilities**

The Company and Group did not have any contingent liabilities as at 28 November 2013.

**28 Commitments under Finance Leases**

	As at 28 November 2013 £'000
<b>Finance lease rentals due:</b>	
Within one year . . . . .	1,707
In two to five years . . . . .	4,686
Over five years . . . . .	479
Less interest . . . . .	(683)
	<u><b>6,189</b></u>

**29 Commitments under Operating Leases**

	Land & Buildings As at 28 November 2013 £'000	Other As at 28 November 2013 £'000
<b>Operating leases which expire:</b>		
Within one year . . . . .	940	64
In two to five years . . . . .	9,254	199
Over five years . . . . .	97,446	—
	<u><b>107,640</b></u>	<u><b>263</b></u>

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**29 Commitments under Operating Leases (continued)**

At 28 November 2013, the Company had no financial commitments under non-cancellable operating leases.

**30 Pensions**

The Group operates a defined contribution scheme in the form of a Group Personal Pension Plan for its employees. The assets of the plan are held separately from those of the Group in an independently administered fund. Contributions to the fund made by employees are matched by equal contributions to the fund from the Group. Contributions payable by the Group to the fund in respect of the period ended 28 November 2013 amounted to £97k. At 28 November 2013, there were outstanding contributions of £88k included within creditors.

**31 Reconciliation of Operating Profit to Net Cash Inflow**

	Period ended 28 November 2013 £'000
<b>Operating profit</b> . . . . .	<b>11,039</b>
Depreciation of fixed assets . . . . .	11,378
Amortisation of goodwill . . . . .	10,859
Non cash operating items . . . . .	(8,938)
Increase in stock . . . . .	(546)
Decrease in debtors . . . . .	4,710
Decrease in creditors . . . . .	(11,110)
<b>Net cash inflow</b> . . . . .	<b>17,392</b>

**32 Reconciliation of Net Cash Inflow to Movement in Net Debt**

	Period ended 28 November 2013 £'000
Increase in cash in the financial period . . . . .	248
Cash inflow from shareholders loans . . . . .	(461,199)
Cash inflow from senior secured notes and revolving credit facility . . . . .	(553,905)
Cash outflow from other loans repaid . . . . .	214
Cash outflow from Multikino acquired debt repaid . . . . .	25,889
Cash outflow from issue costs paid . . . . .	15,429
Change in net debt resulting from cash flows . . . . .	(973,324)
Amortisation of issue costs . . . . .	(606)
Other non cash movement . . . . .	(5,880)
Bank loans and other borrowings acquired on acquisition . . . . .	(32,729)
Cash acquired on acquisition . . . . .	56,309
Foreign exchange movement . . . . .	9,425
Issue of debt — rolled up interest . . . . .	(15,088)
Movement in debt . . . . .	(961,893)
Net debt at beginning of period . . . . .	—
Net debt at end of period . . . . .	(961,893)

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**33 Analysis of Changes in Net Debt**

	As at 2 May 2013 £'000	Cash flow £'000	Acquisitions £'000	Non cash movement £'000	Foreign exchange £'000	As at 28 November 2013 £'000
Cash in hand and at bank . . . . .	—	248	56,309	—	(1,066)	<b>55,491</b>
Other Loans . . . . .	—	214	(7,050)	—	175	<b>(6,661)</b>
Shareholders loans . . . . .	—	(461,199)	—	(20,968)	—	<b>(482,167)</b>
Revolving Credit Facility borrowing . . . . .	—	(1,983)	—	—	—	<b>(1,983)</b>
Senior Secured notes . . . . .	—	(510,604)	(25,679)	(606)	10,316	<b>(526,573)</b>
	—	(973,324)	23,580	(21,574)	9,425	<b>(961,893)</b>

Non cash movement comprises amortisation of issue costs of £606k and accrued interest of £15,088k on shareholder loans which is capitalised rather than paid. A further £5,880k relates to shareholder loans that were received in exchange for non cash consideration.

**34 Acquisition of Vue Entertainment International Limited**

On 8 August 2013, the Company acquired 100% of the ordinary share capital in Vue Entertainment International Limited, which was the top holding company of the Vue cinema operating group.

The Company believes that the carrying value of the underlying assets and liabilities on acquisition are the current fair value and these are reflected below.

	Book value prior to acquisition £'000	Revaluations £'000	Fair value to the Group £'000
Intangible fixed assets . . . . .	355,384	(355,384)	—
Tangible fixed assets . . . . .	296,099	(4,000)	292,099
Investments in associate . . . . .	246	—	246
Stock . . . . .	1,972	—	1,972
Debtors . . . . .	40,736	—	40,736
Cash . . . . .	67,784	—	67,784
Creditors: amounts falling due within one year . . . . .	(87,275)	—	(87,275)
Provision for liabilities — onerous leases . . . . .	(38,522)	—	(38,522)
Creditors: amounts falling due after more than one year . . . . .	(44,449)	—	(44,449)
Borrowings . . . . .	(639)	—	(639)
Deferred taxation . . . . .	14,616	—	14,616
Minority interests . . . . .	(1,532)	—	(1,532)
<b>Net assets acquired . . . . .</b>	<b>604,420</b>	<b>(359,384)</b>	<b>245,036</b>
<b>Consideration satisfied by:</b>			
Cash consideration . . . . .			942,205
Shareholder loan (preference shares issued by Vougeot Holdco Limited) . . . . .			5,880
Total consideration . . . . .			948,085
<b>Goodwill . . . . .</b>			<b>703,049</b>

Vue Entertainment International Ltd owns 97.48% of its subsidiary company CinemaxX AG, with the remaining 2.52% held by independent shareholders. The resulting minority interest has been reflected in net assets and liabilities on acquisition in the above table.

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**34 Acquisition of Vue Entertainment International Limited (continued)**

Revaluation adjustments reflect the write-down of goodwill that Vue Entertainment International Limited held in relation to previous acquisitions made and an impairment of short leasehold land and buildings to reflect management's current view of fair value. A more detailed analysis of the carrying value of each individual income generating unit is underway and if any further fair value adjustments are required they will be completed during the 2014 financial year.

No adjustments were considered necessary for the alignment of accounting treatment due the decision to adopt accounting policies consistent with those applied in the preparation of the Vue Entertainment International Limited statutory financial statements for the 53 week period ended 29 November 2012.

In its last financial year to 29 November 2012, Vue Entertainment International Limited made a loss after tax and minority interests of £41,424k under UK GAAP reporting.

From the start of its latest financial year on 30 November 2012, to the date of acquisition, Vue Entertainment International Limited recorded the following results in its management accounts.

	<b>£'000</b>
Turnover . . . . .	356,712
Operating profit . . . . .	11,601
Interest . . . . .	(62,733)
Loss on ordinary activities before taxation . . . . .	(51,132)
Taxation . . . . .	(4,473)
Minority Interest . . . . .	(215)
<b>Retained loss for the period . . . . .</b>	<b><u>(55,820)</u></b>

The retained loss of £55,820k was the total recognised loss for the period.

**35 Acquisition of Multikino S.A.**

On 30 September 2013 the Company acquired 100% of the share capital of Multikino S.A., a leading multiplex cinema operator in Poland, Latvia and Lithuania.

**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**35 Acquisition of Multikino S.A. (continued)**

The Company believes that the carrying value of the underlying assets and liabilities on acquisition, after revaluations and accounting policy alignments are the current fair value and these are reflected below.

	Book value prior to acquisition £'000	Revaluations £'000	Accounting policy alignment £'000	Fair value to the Group £'000
Intangible fixed assets . . . . .	247	(247)	—	—
Tangible fixed assets . . . . .	86,036	(25,762)	6,849	67,123
Stock . . . . .	3,315	(3,064)	—	251
Debtors . . . . .	5,907	—	—	5,907
Overdraft . . . . .	(11,475)	—	—	(11,475)
Creditors . . . . .	(16,158)	(3,294)	—	(19,452)
Deferred income . . . . .	(959)	—	(5,834)	(6,793)
Borrowings . . . . .	(25,679)	—	—	(25,679)
Finance leases . . . . .	(6,411)	—	—	(6,411)
Deferred taxation . . . . .	2,799	5,960	(193)	8,566
<b>Net assets acquired . . . . .</b>	<b>37,622</b>	<b>(26,407)</b>	<b>822</b>	<b>12,037</b>
<b>Consideration satisfied by:</b>				
Cash consideration . . . . .				43,932
Total consideration . . . . .				43,932
<b>Goodwill . . . . .</b>				<b>31,895</b>

The revaluation adjustments reflect management's view of the fair values of the acquired assets and liabilities and relate to the carrying values of a trademark, land and buildings, programming stock and deferred tax and the valuation of certain liabilities associated with previous financing arrangements, an environmental levy, value added tax and commitments to acquire programming rights, together with the associated impact on deferred tax of recognising the above adjustments.

The alignment of accounting policy relates to the treatment of lease incentives, which are recognised as deferred income and amortised over the shorter of the period to the next rent review date or over the remaining term of the lease.

From the start of its latest financial year on 1 January 2013, to the date of acquisition, Multikino S.A. recorded the following results in its management accounts.

	PLN '000
Turnover . . . . .	237,145
Operating profit . . . . .	7,944
Impairment of goodwill and tangible fixed assets . . . . .	(111,464)
Interest . . . . .	(15,241)
Loss on ordinary activities before taxation . . . . .	(118,761)
Taxation . . . . .	3,283
<b>Retained loss for the period . . . . .</b>	<b>(115,478)</b>

The retained loss of PLN 115,478k (£23,400k) was the total recognised loss for the period.

For the previous financial year, ending on 31 December 2012, Multikino S.A. reported a profit after tax of 4,778k PLN.



**Vougeot Bidco plc**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**36 Related parties**

The Company entered into a management services agreement with OMERS Private Equity Inc., PE12GV (Artist) Ltd. and PE12PX (Artist-Management) Ltd. as service providers. Each service provider provides corporate finance, strategic corporate planning and other services. Annual fees of £400k plus applicable expenses are paid by the Company for these services. During the period fees of £134k were charged of which all were still outstanding at 28 November 2013.

**37 Post Balance Sheet Events**

Subsequent to the balance sheet date an agreement was reached to acquire the remaining 2.52% of the shares in CinemaxX AG that were not owned by the Group. The purchase was made by Vue Beteiligungs GmbH, a subsidiary of the Group, for an amount of €5,967k. Following the acquisition of the shares, CinemaxX AG is now fully delisted from all stock exchanges.

**38 Ultimate Parent Undertaking**

At 28 November 2013, the immediate parent undertaking of Vougeot Bidco plc is Vougeot Midco Limited.

This set of financial statements, with the Company as parent undertaking, is the smallest group of undertakings for which consolidated group financial statements are drawn up and publicly available of which the Company is a member.

At 28 November 2013, Vougeot Holdco Limited, a company incorporated in Jersey, is the parent undertaking of the largest Group in which the results of the Company are consolidated. The consolidated financial statements of Vougeot Holdco Limited are publically available and may be obtained from Vougeot Holdco Limited, Ogier House, The Esplanade, St. Helier, Jersey JE4 9WG.

At 28 November 2013, the ultimate controlling parties are considered by the directors to be OPE Vougeot Holdings Ltd, PE12GV (Artist) Ltd. and PE12PX (Artist) Ltd., investment vehicles for OMERS Administration Corporation, OCP Trust and Her Majesty the Queen in right of Alberta.

# **Vue Entertainment International Limited**

**Interim Condensed Consolidated Financial Statements**  
**for the 39 Week period ended 28 August 2014**  
**(Registered number: 00106780)**

**Interim Condensed Consolidated Financial Statements  
for the 39 week period ended 28 August 2014.**

<b>Contents</b>	<b>Pages</b>
Directors' Report . . . . .	F-67 – F-68
Interim Consolidated Profit and Loss Account . . . . .	F-69
Interim Consolidated Balance Sheet . . . . .	F-70
Interim Consolidated Cash Flow Statement . . . . .	F-71
Interim Consolidated Statement of Total Recognised Gains and Losses . . . . .	F-72
Interim Consolidated Statement of Shareholder's Deficit . . . . .	F-72
Notes to the Interim Financial Statements . . . . .	F-73 – F-83

**Vue Entertainment International Limited**  
**(Registered Number 00106780)**

**Directors' Report**  
**for the 39 week period ended 28 August 2014**

The directors present their report and the unaudited non-statutory interim condensed consolidated financial statements of Vue Entertainment International Limited ("the Company") and its subsidiaries ("the Group") for the 39 week period ended 28 August 2014.

The comparative results for the profit and loss account and cash flow statement refer to the 39 week period ended 29 August 2013. The comparative results for the balance sheet refer to the audited balance sheet as at 28 November 2013.

**Principal Activities**

The principal activity of the Company is that of a holding company. The principal activity of the Group is the development and operation of state-of-the-art multiplex cinemas.

**Results in the Period**

Group operating profit for the 39 week period was £18.5m (2013: £18.5m).

The retained loss for the Group after taxation, finance costs and minority interests amounted to £40.8m (2013: loss £64.6m).

The directors are satisfied with the prospects of the Group.

The directors do not recommend that a dividend be paid.

**Directors**

The directors who held office during the period and up to the date of signing these financial statements, were as follows:

Stephen Knibbs  
Alan McNair  
J. Timothy Richards

**Directors' Liabilities Insurance**

During the period to 28 August 2014 and at the date of approval of the financial statements, the Company and Group maintained liability insurance for its directors and officers.

**Private Equity Ownership**

The Company is a subsidiary of Vougeot Bidco plc which in turn is wholly owned by Vougeot Holdco Limited. Vougeot Holdco Limited is a Jersey company controlled by private equity funds. Vougeot Holdco Limited is a co-investment vehicle for OMERS Administration Corporation and certain clients of Alberta Investment Management Corporation.

**Statement of directors' responsibilities**

The directors are responsible for preparing the non-statutory interim condensed consolidated financial statements in accordance with the basis of preparation in note 2 and accounting policies in note 3 solely in connection with the proposed public offering of debt securities. The directors must not approve the non-statutory interim condensed consolidated financial statements unless they are satisfied that they have been properly prepared, in all material respects, in accordance with the basis of preparation in note 2 and accounting policies in note 3 to the non-statutory interim condensed consolidated financial statements. In preparing these non-statutory interim condensed consolidated financial statements, the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- stated the basis of preparation and accounting policies applied;
- prepared the non-statutory interim condensed consolidated financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

**Vue Entertainment International Limited**  
**(Registered Number 00106780)**

**Directors' Report**  
**for the 39 week period ended 28 August 2014 — (continued)**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

Alan McNair  
Director  
30 October 2014

**Vue Entertainment International Limited**  
**Interim Consolidated Profit and Loss Account**  
**for the 39 week period ended 28 August 2014**

	Notes	39 weeks ended 28 August 2014 unaudited £'000	39 weeks ended 29 August 2013 unaudited £'000
<b>Turnover</b> . . . . .	6	<b>415,211</b>	389,323
Cost of sales . . . . .		<b>(157,338)</b>	(146,870)
<b>Gross profit</b> . . . . .		<b>257,873</b>	242,453
Administrative expenses . . . . .		<b>(239,413)</b>	(224,001)
<b>Operating profit</b> . . . . .	7	<b>18,460</b>	18,452
Interest receivable and similar income . . . . .	8	<b>165</b>	164
Interest payable and similar charges . . . . .	9	<b>(55,516)</b>	(78,312)
<b>Loss on ordinary activities before taxation</b> . . . . .		<b>(36,891)</b>	(59,696)
Tax on loss on ordinary activities . . . . .	10	<b>(3,536)</b>	(4,695)
<b>Loss on ordinary activities after taxation</b> . . . . .		<b>(40,427)</b>	(64,391)
Minority interests . . . . .		<b>(330)</b>	(216)
<b>Loss for the financial period</b> . . . . .		<b>(40,757)</b>	(64,607)

There is no difference between the loss on ordinary activities before taxation and the loss for the financial period stated above and their historical cost equivalents.

The above results derive from continuing operations.

The notes on pages F-73 to F-83 form an integral part of these financial statements.



**Vue Entertainment International Limited**  
**Interim Consolidated Balance Sheet**  
**as at 28 August 2014**

	Notes	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
<b>Fixed assets</b>			
Intangible assets . . . . .	11	<b>357,670</b>	377,362
Tangible assets . . . . .	12	<b>337,775</b>	356,271
Investment in associate . . . . .		<b>85</b>	238
		<u><b>695,530</b></u>	<u>733,871</u>
<b>Current assets</b>			
Stock . . . . .		<b>2,555</b>	2,743
Debtors: amounts falling due within one year . . . . .	13	<b>51,222</b>	53,034
Debtors: amounts falling due after more than one year . . . . .	13	<b>24,224</b>	25,587
Cash at bank and in hand . . . . .	14	<b>51,680</b>	54,573
		<u><b>129,681</b></u>	<u>135,937</u>
<b>Creditors: amounts falling due within one year</b>			
Loans . . . . .	17	<b>(727,875)</b>	(718,237)
Other creditors . . . . .	15	<b>(115,773)</b>	(117,804)
		<u><b>(843,648)</b></u>	<u>(836,040)</u>
<b>Net current liabilities</b> . . . . .		<u><b>(713,967)</b></u>	<u>(700,103)</u>
<b>Total assets less current liabilities</b> . . . . .		<u><b>(18,437)</b></u>	<u>33,767</u>
<b>Creditors: amounts falling due after more than one year</b>			
Loans . . . . .	17	<b>88,532</b>	83,079
Other creditors . . . . .	16	<b>50,548</b>	51,067
Provision for liabilities . . . . .	18	<b>39,126</b>	41,118
<b>Capital and reserves</b>			
Called up share capital . . . . .	19	<b>3</b>	3
Share Premium . . . . .	19	<b>6,366</b>	6,366
Profit and loss account . . . . .		<u><b>(201,914)</b></u>	<u>(149,579)</u>
<b>Total shareholders' deficit</b> . . . . .		<u><b>(195,545)</b></u>	<u>(143,210)</u>
Minority interests . . . . .		<u><b>(1,098)</b></u>	<u>1,713</u>
<b>Capital employed</b> . . . . .		<u><b>(18,437)</b></u>	<u>33,767</u>

The notes on pages F-73 to F-83 form an integral part of these financial statements.

Approved by the Board of Directors and signed on its behalf by:

Alan McNair  
Director  
30 October 2014

**Vue Entertainment International Limited**  
**Interim Consolidated Cash Flow Statement**  
**for the 39 week period ended 28 August 2014**

	Notes	39 weeks ended 28 August 2014 unaudited £'000	39 weeks ended 29 August 2013 unaudited £'000
<b>Operating activities</b>			
Net cash inflow from operating activities . . . . .	20	<b>63,693</b>	46,518
<b>Return on investments and servicing of finance</b>			
Interest received . . . . .		<b>165</b>	164
Interest paid . . . . .		<b>(912)</b>	(17,947)
<b>Net cash outflow from returns on investments and servicing of finance . . . . .</b>		<b>(747)</b>	(17,783)
Taxation paid . . . . .		<b>(2,647)</b>	(1,762)
<b>Cash outflow for capital expenditure and other financial investments</b>			
Payments to acquire tangible assets . . . . .		<b>(20,324)</b>	(24,046)
Landlord contributions received . . . . .		<b>2,934</b>	3,114
Proceeds from disposal of tangible assets . . . . .		<b>—</b>	7,243
Acquisitions . . . . .		<b>(5,167)</b>	(3,518)
<b>Net cash outflow from capital expenditure and other financial investments . . . . .</b>		<b>(22,557)</b>	(17,207)
<b>Net cash inflow before financing activities . . . . .</b>		<b>37,742</b>	9,766
<b>Financing activities</b>			
Revolving credit facility . . . . .		<b>1,008</b>	—
Senior secured notes . . . . .		<b>—</b>	138,528
Bank Loans repaid . . . . .		<b>—</b>	(455,342)
Repayment of other loans . . . . .		<b>(1,350)</b>	(6,740)
Issue costs paid . . . . .		<b>—</b>	(6,000)
Repayment of loan notes . . . . .		<b>—</b>	(286,381)
Repayment of preference shares . . . . .		<b>—</b>	(11,129)
Issue of ordinary shares . . . . .		<b>—</b>	3,909
Issue of shareholder loans . . . . .		<b>—</b>	711,981
Amounts repaid to shareholders . . . . .		<b>(37,873)</b>	—
Amounts repaid to previous shareholders . . . . .		<b>—</b>	(101,998)
Dividends paid to minority interests . . . . .		<b>(103)</b>	—
<b>Net cash outflow from financing activities . . . . .</b>		<b>(38,318)</b>	(13,172)
<b>Decrease in cash . . . . .</b>	22	<b>(576)</b>	(3,406)

The notes on pages F-73 to F-83 form an integral part of these financial statements.

**Vue Entertainment International Limited**  
**Interim Consolidated Statement of Total Recognised Gains and Losses**  
**for the 39 week period ended 28 August 2014**

	39 weeks ended 28 August 2014 unaudited £'000	39 weeks ended 29 August 2013 unaudited £'000
Loss for the financial period . . . . .	<b>(40,757)</b>	(64,607)
Foreign exchange movement . . . . .	<b>(11,578)</b>	(18)
<b>Total recognised losses relating to the financial period . . . . .</b>	<b><u>(52,335)</u></b>	<b><u>(64,625)</u></b>

**Interim Consolidated Statement of Shareholder's Deficit**  
**for the 39 week period ended 28 August 2014**

	Share Capital £'000	Share Premium £'000	Retained earnings £'000	Total Shareholders' Deficit £'000
Opening balance as at 28 November 2013 (audited) . . . . .	3	6,366	(149,579)	(143,210)
Loss for the financial period . . . . .	—	—	(40,757)	(40,757)
Foreign exchange movement . . . . .	—	—	(11,578)	(11,578)
Net reduction for the period . . . . .	—	—	(52,335)	(52,335)
<b>Closing balance as at 28 August 2014 (unaudited) . . .</b>	<b><u>3</u></b>	<b><u>6,366</u></b>	<b><u>(201,914)</u></b>	<b><u>(195,545)</u></b>

The notes on pages F-73 to F-83 form an integral part of these financial statements.

**Vue Entertainment International Limited**  
**Notes to the Interim Financial Statements**  
**for the 39 week period ended 28 August 2014**

**1. General Information**

The principal activity of the Group is the development and operation of state-of-the-art multiplex cinemas.

As at 28 August 2014, the Group operates a chain of 150 cinema sites. 82 of these sites are in the UK, one in Eire, 30 in Germany, three in Denmark, one in Taiwan, 31 in Poland, one in Latvia and one in Lithuania.

The interim condensed consolidated financial statements were approved for issue on 30 October 2014.

**2. Basis of Preparation**

The interim condensed consolidated financial information as of and for the 39 week period ended 28 August 2014 has been prepared in accordance with best practices as derived from IAS 34, 'Interim financial reporting', as adopted by the European Union.

The interim condensed consolidated financial information does not constitute accounts within the meaning of section 105 of the Companies (Jersey) Law 1991.

Statutory financial statements as of and for the 52 weeks period ended 28 November 2013 were approved by the board of directors on 29 September 2014 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 113B of the Companies (Jersey) Law 1991.

The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the 52 week period ended 28 November 2013, which have been prepared in accordance with applicable accounting standards in the United Kingdom and applicable law.

The comparative results for the profit and loss account and cash flow statement refer to the 39 week period ending 29 August 2013. The comparative results for the balance sheet refer to the audited balance sheet as at 28 November 2013.

**Going-concern basis**

The interim condensed consolidated financial statements have been prepared on a going concern basis. The directors deemed it appropriate to prepare the accounts on a going concern basis having given due regard to the trading results and capital structure of the Group. In particular the working capital requirements of the Group are met by the Group's available cash balance combined with the revolving credit and overdraft facility and certain shareholder loans. The longer term finance of the Group is provided by certain shareholder loans. The immediate parent of the Company, Vougeot Bidco plc, has confirmed it does not currently intend to require repayment of the shareholder loans in the next 12 month period. As a result the directors believe that the Company and Group will, for the foreseeable future, be able to continue trading and meet all their liabilities as they fall due.

**3. Accounting Policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's statutory financial statements for the 52 week period ended 28 November 2013, except as noted below regarding taxation.

These accounting policies are expected to be applicable to the Group for its 52 week 2014 financial statements. It is possible that there will be changes to these standards and interpretations before the end of the Group's 2014 financial year, which might require adjustments to this information before it is included in the financial statements for the 52 week ended 27 November 2014.

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to the expected total annual profit or loss.

**Vue Entertainment International Limited**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**3. Accounting Policies (continued)**

There is no material difference between the fair value of the financial assets and liabilities and their carrying amount.

There are no standards that are effective for the first time for this interim period that would be expected to have a material impact on the Group.

The Group has taken advantage of the exemption contained within “FRS 8 — Related Party Transactions”, not to disclose related party transactions with other members of its group of companies, which are wholly owned subsidiaries. No transactions have taken place with other members of its group companies, which are not wholly owned subsidiaries.

**4. Estimates**

In preparing the interim condensed consolidated financial statements for the Group, management are required to make and disclose significant judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Although these judgements, estimates and assumptions are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ.

In preparing these interim condensed consolidated financial statements, the significant judgements, estimates and assumptions made by management in applying the Group’s accounting policies and the key sources of estimating uncertainty were the same as those that were applied to the Group annual financial statements for the period ended 28 November 2013.

Management have determined that the key areas of judgement, estimate and assumptions to disclose include the ongoing recoverability of goodwill, the nature and obligation of onerous lease provisions, the assessment of the Group’s digital investment as prepaid operating lease commitments and the carrying value of tangible fixed assets.

**5. Financial Risk Management**

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the period ended 28 November 2013.

There have been no significant changes in the risk management policies since the period ended 28 November 2013.

**6. Segmental Information**

Turnover comprises the value of goods and services provided to customers excluding value added tax.

	39 weeks ended 28 August 2014 unaudited £’000	39 weeks ended 29 August 2013 unaudited £’000
<b>Turnover</b>		
United Kingdom . . . . .	<b>221,774</b>	234,199
Continental Europe . . . . .	<b>187,639</b>	148,702
Other . . . . .	<b>5,798</b>	6,422
	<b><u>415,211</u></b>	<b><u>389,323</u></b>

All turnover is derived from external customers in the local geographical market from the operation of cinema sites.

**Vue Entertainment International Limited**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**6. Segmental Information (continued)**

In the period ended 28 August 2014, UK turnover includes £0.5m (2013: £nil) of non-recurring income relating to the reclaim of VAT previously paid on exempt sales.

	39 weeks ended 28 August 2014 unaudited £'000	39 weeks ended 29 August 2013 unaudited £'000
<b>(Loss)/profit before taxation</b>		
United Kingdom . . . . .	(50,224)	(67,758)
Continental Europe . . . . .	12,925	7,458
Other . . . . .	408	604
	<u>(36,891)</u>	<u>(59,696)</u>
	As at 28 August 2014 unaudited £'000	As at 28 November 2013 unaudited £'000
<b>(Net liabilities)/net assets</b>		
United Kingdom . . . . .	(354,361)	(304,136)
Continental Europe . . . . .	162,166	164,699
Other . . . . .	(3,350)	(3,773)
	<u>(195,545)</u>	<u>(143,210)</u>

**7. Operating Profit**

	39 weeks ended 28 August 2014 unaudited £'000	39 weeks ended 29 August 2013 unaudited £'000
Operating Profit is stated after charging/(crediting):		
Profit on disposal of fixed assets . . . . .	(48)	(382)
Depreciation on tangible fixed assets (note 12) . . . . .	30,369	26,127
Amortisation of intangible fixed assets (note 11) . . . . .	15,873	14,843
Realised foreign exchange losses . . . . .	100	1,223
Unrealised foreign exchange gains . . . . .	(28)	0
Provision for liabilities — charge to the profit and loss account (note 18) . . . . .	819	5,827
Rentals under other operating leases . . . . .	75,508	69,964
Pre-opening expenses . . . . .	114	681

**8. Interest Receivable and Similar Income**

	39 weeks ended 28 August 2014 unaudited £'000	39 weeks ended 29 August 2013 unaudited £'000
Bank interest . . . . .	42	59
Other interest . . . . .	123	105
	<u>165</u>	<u>164</u>



**Vue Entertainment International Limited**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**9. Interest Payable and Similar Charges**

	39 weeks ended 28 August 2014 unaudited £'000	39 weeks ended 29 August 2013 unaudited £'000
Revolving Credit Facility . . . . .	137	215
External bank loan interest . . . . .	365	19,821
Rental guarantee fees . . . . .	475	348
Finance Leases . . . . .	74	—
Amortisation of capitalised issue costs . . . . .	—	30,445
Unwinding of discount factor on onerous leases (note 18) . . . . .	2,425	2,406
Shareholder loans . . . . .	52,040	25,077
	<u>55,516</u>	<u>78,312</u>

**10. Taxation**

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim consolidated profit or loss account are

	39 weeks ended 28 August 2014 unaudited £'000	39 weeks ended 29 August 2013 unaudited £'000
<b>Analysis of tax credit for the financial period</b>		
<b>Current tax</b>		
Group relief payments/(receipts) . . . . .	2,441	(39)
Overseas tax suffered . . . . .	845	4,522
<b>Total current tax charge . . . . .</b>	<u>3,286</u>	<u>4,483</u>
<b>Deferred tax</b>		
Timing differences, origination and reversal . . . . .	250	212
<b>Tax Charge on loss on ordinary activities . . . . .</b>	<u>3,536</u>	<u>4,695</u>

**Vue Entertainment International Limited**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**10. Taxation (continued)**

**Factors affecting current tax charge for the financial period**

The standard rate of current tax for the period, based on the UK standard rate of corporation tax is 21.89% (2013 23.33%). The current tax charge for the period differs from the standard rate for the reasons in the reconciliation below:

	39 weeks ended 28 August 2014 unaudited £'000	39 weeks ended 29 August 2013 unaudited £'000
<b>Analysis of tax charge for the financial period</b>		
Loss on ordinary activities before tax . . . . .	<b>(36,891)</b>	(59,696)
Loss on ordinary activities multiplied by the effective rate of corporation tax in the UK of 21.89% (2013: 23.33%) . . . . .	<b>(8,075)</b>	(13,927)
<b>Effects of:</b>		
Depreciation in excess of capital allowances . . . . .	<b>1,489</b>	1,956
Expenses not deductible for tax purposes . . . . .	<b>6,987</b>	9,069
Taxable gains less book gains . . . . .	—	(154)
Utilisation of brought forward losses . . . . .	<b>(86)</b>	(140)
Foreign branch income not subject to UK tax . . . . .	<b>(76)</b>	(208)
Overseas tax suffered . . . . .	<b>845</b>	4,522
Tax losses carried forward . . . . .	<b>2,202</b>	3,359
Other timing differences . . . . .	—	6
<b>Current tax charge for the financial period . . . . .</b>	<b><u>3,286</u></b>	<b><u>4,483</u></b>

**11. Intangible Fixed Assets — Goodwill**

	£'000
<b>Cost</b>	
At 28 November 2013 . . . . .	426,792
Acquisitions . . . . .	1,656
Foreign exchange movement . . . . .	(5,855)
<b>At 28 August 2014 . . . . .</b>	<b><u>422,593</u></b>
<b>Accumulated amortisation</b>	
At 28 November 2013 . . . . .	(49,430)
Charged for the period . . . . .	(15,873)
Foreign exchange movement . . . . .	380
<b>At 28 August 2014 . . . . .</b>	<b><u>(64,923)</u></b>
<b>Net book value at 28 August 2014 (unaudited) . . . . .</b>	<b><u>357,670</u></b>
Net book value at 28 November 2013 (audited) . . . . .	<u>377,362</u>

Goodwill acquisitions in the period relate to the purchase of the remaining 2.52% of the shares in CinemaxX Holdings GmbH ("CinemaxX" formerly CinemaxX AG) that were not previously owned by the Group. The purchase was made by Vue Beteiligungs GmbH, a subsidiary of the Group, for an amount of €5,967k (£5,167k) resulting in additional £1,656k of goodwill.

**Vue Entertainment International Limited**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**12. Tangible Fixed Assets**

	Freehold Land and Buildings £'000	Long Leasehold Land and Buildings £'000	Short Leasehold Land and Buildings £'000	Furniture Fixture and Equipment £'000	Construction in Progress £'000	Total £'000
<b>Cost</b>						
At 28 November 2013 . . . . .	6,776	15,360	308,373	103,512	7,165	441,186
Additions . . . . .	—	199	6,799	7,880	1,944	16,822
Transfers . . . . .	(5,177)	—	5,177	—	—	—
Disposals . . . . .	—	—	—	(426)	—	(426)
Foreign exchange movement . . . .	(303)	(738)	(1,868)	(2,880)	(159)	(5,948)
<b>At 28 August 2014 . . . . .</b>	<b>1,296</b>	<b>14,821</b>	<b>318,481</b>	<b>108,086</b>	<b>8,950</b>	<b>451,634</b>
<b>Accumulated Depreciation</b>						
At 28 November 2013 . . . . .	544	86	60,975	23,310	—	84,915
Charge during period . . . . .	121	383	17,571	12,294	—	30,369
Disposals . . . . .	—	—	—	(416)	—	(416)
Foreign exchange movement . . . .	(242)	(16)	(199)	(552)	—	(1,009)
<b>At 28 August 2014 . . . . .</b>	<b>423</b>	<b>453</b>	<b>78,347</b>	<b>34,636</b>	<b>—</b>	<b>113,859</b>
<b>Net book value at 28 August 2014 (unaudited) . . . . .</b>	<b>873</b>	<b>14,368</b>	<b>240,134</b>	<b>73,450</b>	<b>8,950</b>	<b>337,775</b>
Net book value at 28 November 2013 (audited) . . . . .	1,371	15,275	252,259	80,202	7,165	356,271

The additions for the period include an amount of £4.0m of capital expenditure accrued as at 28 August 2014 (2013: £8.4m) relating to expenditure on new sites and other projects.

**13. Debtors**

	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
<b>Amounts falling due within one year:</b>		
Trade debtors . . . . .	9,784	11,063
Amounts due from shareholders . . . . .	12,007	13,724
Other debtors . . . . .	6,058	5,268
Prepayments and accrued income . . . . .	23,373	22,979
	<b>51,222</b>	<b>53,034</b>
<b>Amounts falling due after more than one year:</b>		
Deferred tax . . . . .	24,224	25,587

Amounts due from shareholders are unsecured, interest free and repayable on demand.

**Vue Entertainment International Limited**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**14. Cash at Bank and in Hand**

	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
Cash — unrestricted . . . . .	47,584	46,162
Cash — restricted . . . . .	4,096	8,411
	<u>51,680</u>	<u>54,573</u>

Restricted cash relates to rental deposits held in relation to the Group's cinema sites in Germany.

**15. Creditors: Amounts Falling Due Within One Year**

	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
Trade creditors . . . . .	27,226	24,720
Amounts owed to shareholders . . . . .	6,863	16,552
Other tax and social security . . . . .	3,188	1,283
Other creditors . . . . .	3,285	4,238
Finance leases . . . . .	1,297	1,707
Accruals . . . . .	49,238	47,940
Corporation tax payable . . . . .	1,221	839
Deferred income . . . . .	23,455	20,525
	<u>115,773</u>	117,804
Loans (note 17) . . . . .	727,875	718,237
Loans . . . . .	727,875	718,237
	<u>843,648</u>	<u>836,041</u>

Amounts owed to shareholders are unsecured, interest free and repayable on demand.

**16. Creditors: Amounts Falling Due After More Than One Year**

	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
Deferred income . . . . .	45,911	45,333
Other creditors . . . . .	1,193	1,249
Finance leases . . . . .	3,444	4,485
	<u>50,548</u>	<u>51,067</u>

**Vue Entertainment International Limited**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**17. Loan Capital and Borrowings**

	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
Revolving Credit Facility . . . . .	2,833	1,983
Shareholder Loans . . . . .	725,042	716,254
<b>Loans: amounts falling due within one year . . . . .</b>	<b>727,875</b>	<b>718,237</b>
Other Loans . . . . .	584	510
Shareholder Loans . . . . .	87,948	82,569
<b>Loans: amounts falling due after more than one year . . . . .</b>	<b>88,532</b>	<b>83,079</b>
<b>Total Loans . . . . .</b>	<b>816,407</b>	<b>801,316</b>
	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
At beginning of period . . . . .	801,316	666,998
Shareholder Loans issued . . . . .	—	778,333
Bank Loans received . . . . .	—	138,529
Revolving Credit Facility drawdown . . . . .	1,008	1,983
Loan notes repaid . . . . .	—	(264,529)
Amounts repaid to Parent Companies . . . . .	(37,873)	(97,967)
Bank Loans repaid . . . . .	—	(455,342)
Other Loans repaid . . . . .	(146)	(6,769)
	764,305	761,236
Amortisation of Capitalised Issue Costs . . . . .	—	12,849
Interest accrued in the period . . . . .	52,040	20,490
Foreign exchange movement . . . . .	62	6,741
<b>At end of period . . . . .</b>	<b>816,407</b>	<b>801,316</b>

**Revolving Credit Facility**

The Group is able to draw down on a £50m multicurrency revolving credit and overdraft facility with Lloyds Bank plc. At 28 August 2014 the facility was drawn down in Polish Zloty totalling PLN 15.0m (£2.8m) (2013: PLN 10.0m (£2.0m)). The facility is available until August 2019. The facility bears interest at LIBOR, EURIBOR, CIBOR or WIBOR depending on the currency drawn down plus a margin of 3.5%.

**Shareholder loans due within one year**

Shareholder loans bear interest of 9% and have a termination date of 9 August 2033 or are repayable on demand. All interest is capitalised on an annual basis to increase the value of the loan. As at 28 August 2014 accrued interest was £46.6m (2013: £19.3m).

**Shareholder loans due after more than one year**

Shareholder loans bear interest of 8.8425% and have a termination date of 26 September 2020. All interest is capitalised on an annual basis to increase the value of the loan. As at 28 August 2014 accrued interest was £5.4m (2013: £1.2m).

**Vue Entertainment International Limited**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**18. Provision for Liabilities**

	As at 28 August 2014 unaudited £'000	As at 28 November 2013 audited £'000
Provision at beginning of period . . . . .	41,118	37,884
Charge to the profit and loss account . . . . .	819	5,827
Utilised during the period . . . . .	(4,893)	(5,547)
Unwinding of discount factor on onerous leases . . . . .	2,425	3,205
Foreign exchange movement . . . . .	(343)	(251)
<b>Provision at the end of the period . . . . .</b>	<b>39,126</b>	<b>41,118</b>

The provision for liabilities is for onerous leases at certain sites.

**19. Called up Share Capital**

	Shares £'000	Share premium £'000	Total £'000
<b>Allotted, issued and fully paid</b>			
Issued: 2,000,000 A Ordinary shares of £0.001 . . . . .	2	1,998	2,000
Issued: 460,000 B1 Ordinary shares of £0.001 . . . . .	1	459	460
Issued: 441,177 C Ordinary shares £0.001 . . . . .	—	—	—
Issued: 40,000 B1 Ordinary shares of £0.001 . . . . .	—	3,909	3,909
<b>At 28 August 2014 &amp; 28 November 2013 . . . . .</b>	<b>3</b>	<b>6,366</b>	<b>6,369</b>

**20. Reconciliation of Operating Profit to Net Cash Inflow**

	39 weeks ended 28 August 2014 unaudited £'000	39 weeks ended 29 August 2013 audited £'000
<b>Operating profit . . . . .</b>	<b>18,460</b>	18,452
Depreciation of fixed assets . . . . .	30,369	26,127
Amortisation of goodwill . . . . .	15,873	14,843
Non cash operating items . . . . .	(2,320)	(4,325)
Decrease in stock . . . . .	148	593
Increase in Debtors . . . . .	(676)	(5,585)
Decrease in creditors . . . . .	1,839	(3,587)
<b>Net cash inflow . . . . .</b>	<b>63,693</b>	46,518



**Vue Entertainment International Limited**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**21. Reconciliation of Net Cash Flow to Movement in Net Debt**

	Period ended As at 28 August 2014 unaudited £'000	Period ended As at 28 November 2013 audited £'000
Decrease in cash in the financial period . . . . .	<b>(576)</b>	(9,324)
Cash outflow from previous shareholders loans repaid . . . . .	—	97,967
Cash inflow from shareholder loans . . . . .	—	(777,938)
Cash inflow from bank loans issued . . . . .	<b>(1,008)</b>	(140,506)
Cash outflow from preference shares repaid . . . . .	—	481,232
Cash outflow from other loans repaid . . . . .	<b>1,350</b>	2,881
Cash outflow from the repayment of shareholder loans . . . . .	<b>37,873</b>	6,988
Cash outflow from bank loans repaid . . . . .	—	286,381
Cash outflow from bank fees paid . . . . .	—	6,001
Change in net debt resulting from cash flows . . . . .	<b>37,639</b>	(46,318)
Amortisation of bank fees . . . . .	—	(18,850)
Other non cash movements . . . . .	—	(3)
Bank loans acquired on acquisition . . . . .	—	(32,090)
Foreign exchange movement . . . . .	<b>(2,171)</b>	(7,140)
Issue of debt — rolled up interest . . . . .	<b>(52,040)</b>	(41,400)
Movement in debt . . . . .	<b>(16,572)</b>	(145,801)
Net debt at beginning of period . . . . .	<b>(752,897)</b>	(607,096)
Net debt at end of period . . . . .	<b>(769,469)</b>	(752,897)

**22. Analysis of Changes in Net Debt**

	As at 28 November 2013 audited £'000	Cash flow £'000	Non cash movement £'000	Foreign exchange £'000	As at 28 August 2014 unaudited £'000
Cash in hand and at bank . . . . .	54,573	(576)	—	(2,317)	<b>51,680</b>
Other loans and finance leases . . . . .	(6,664)	1,350	—	(12)	<b>(5,326)</b>
Shareholders loans . . . . .	(798,823)	37,873	(52,040)	—	<b>(812,990)</b>
Revolving Credit Facility borrowing . . . . .	(1,983)	(1,008)	—	158	<b>(2,833)</b>
	<u>(752,897)</u>	<u>37,639</u>	<u>(52,040)</u>	<u>(2,171)</u>	<b><u>(769,469)</u></b>

Non cash movements relate to accrued interest on the shareholder loans as described in note 17.

**23. Capital Commitments**

As at the 28 August 2014, Group contracted capital commitments were £14.5m (2013 £10.3m).

**24. Contingent Liabilities**

The Group did not have any contingent liabilities as at 28 August 2014 (2013: £nil).

**25. Post Balance Sheet Events**

On 16 October 2014 Vougeot Bidco plc, the immediate parent undertaking of the Company, agreed to acquire 100% of the shares of Capitololette Srl and its subsidiaries together known as the "Space Entertainment Group".

**Vue Entertainment International Limited**  
**Notes to the Interim Financial Statements — (continued)**  
**for the 39 week period ended 28 August 2014**

**25. Post Balance Sheet Events (continued)**

The Space Entertainment Group is the leading cinema chain in Italy by market share and consists of 36 multiplex cinemas with 362 screens and 79,126 seats. Initial consideration for the acquisition will be approximately €118.5m before fees and expenses.

It is anticipated that the acquisition will be financed through a combination of approximately €70m of committed bank financing and reinvestment of £38.0 million of the existing Bridge Loans from Vue's financial shareholders OMERS Private Equity and AIMCo, in the form of subordinated non-cash pay loan notes.

**26. Ultimate Parent Undertaking**

At 28 August 2014, the immediate parent undertaking of Vue Entertainment International Limited is Vougeot Bidco plc.

This set of financial statements, with the Company as parent undertaking, is the smallest group of undertakings for which consolidated group financial statements are drawn up and publicly available of which the Company is a member.

At 28 August 2014, the ultimate controlling party is considered by the directors to be Vougeot Holdco Limited, a co-investment vehicle for OMERS Administration Corporation and certain clients of Alberta Investment Management Corporation.

# **Vue Entertainment International Limited**

**Annual Report and Consolidated Financial Statements  
for the period to 28 November 2013  
(Registered Number 00106780)**

**Annual Report and Consolidated Financial Statements  
for the period ended 28 November 2013**

<b>Contents</b>	<b>Pages</b>
Directors' Report . . . . .	F-86 – F-94
Independent Auditors' Report . . . . .	F-95 – F-96
Consolidated Profit and Loss Account . . . . .	F-97
Consolidated Balance Sheet . . . . .	F-98
Company Balance Sheet . . . . .	F-99
Consolidated Cash Flow Statement . . . . .	F-100
Consolidated Statement of Total Recognised Gains and Losses . . . . .	F-101
Consolidated Statement of Shareholders' Deficit . . . . .	F-101
Notes to the Financial Statements . . . . .	F-102 – F-124

## **Directors' Report for the period ended 28 November 2013**

The directors present their report and audited consolidated financial statements of Vue Entertainment International Limited ("the Company") and its subsidiaries ("the Group") for the 52 week period ended 28 November 2013. The comparative results for the period refer to the 53 week period ended 29 November 2012.

On 8 August 2013 Vougeot Bidco plc acquired 100% of the ordinary share capital in the Company.

Vougeot Bidco plc is a company controlled by Vougeot Holdco Limited. Vougeot Holdco Limited is a company controlled by OPE Vougeot Holdings Ltd, PE12GV (Artist) Ltd. and PE12PX (Artist) Ltd., investment vehicles for OMERS Administration Corporation, OCP Trust and Her Majesty the Queen in right of Alberta. As a result, OPE Vougeot Holdings Ltd, PE12GV (Artist) Ltd. and PE12PX (Artist) Ltd. are the new ultimate controlling parties of the Company and the Group. Further details of controlling parties are provided in note 39 to the financial statements.

### **Principal Activities**

The principal activity of the Company is that of a holding company. The principal activity of the Group is the development and operation of state-of-the-art multiplex cinemas.

At 28 November 2013, the Group operates a chain of 149 cinema sites. 81 of these sites are in the UK, one in Eire, 30 in Germany, three in Denmark, one in Portugal, one in Taiwan, 30 in Poland, one in Latvia and one in Lithuania.

### **Review of the Period**

In this report, the Company presents a fair review of the business of the Group, including a description of the principal risks and uncertainties facing the Group and an analysis of the development and performance of the business during the period and position at the period end.

Further additional information is provided in accordance with the Walker Guidelines for Portfolio Companies owned by private equity investors.

The Directors' Report and financial statements contain certain forward looking statements with respect to the financial condition, results, operations and business of the Group. By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. No assurances can be given that the forward looking statements are reasonable as they can be affected by a wide range of variables not wholly within the Group's control.

The forward looking statements reflect the knowledge and information available at the date of preparation of the Directors' Report and financial statements, and will not be updated during the year. Nothing in the Directors' Report and financial statements should be construed as a profit forecast.

### **Acquisitions**

On 30 September 2013 the Group acquired 100% of the share capital of Multikino S.A., a leading Polish multiplex operator. Multikino S.A. operates 30 cinemas in Poland and a further two cinemas in Lithuania and Latvia. Further details of the acquisition are provided in note 36.

Subsequent to the balance sheet date an agreement has been made to acquire the remaining 2.52% of the shares in CinemaxX AG that were previously not owned by the Group. Following the acquisition of the shares, CinemaxX AG is now fully delisted from all stock exchanges and has been converted to a GmbH. Further details of the acquisition are provided in note 38.

### **Results in the Period**

Group operating profit for the period was £16.9m. (2012: £18.0m)

The retained loss for the Group after taxation, finance costs and minority interest amounted to £70.4m (2012: £41.4m).

**Directors' Report**  
**for the period ended 28 November 2013 — (continued)**

The directors do not recommend that a dividend be paid.

Total net cash outflow for the period amounted to £9.3m (2012: inflow £43.9m) as set out below.

Net cash inflow from operating activities for the period was £53.1m (2012: £62.0m) driven by trading performance of the Group. This includes a £21.0m cash outflow from working capital which was driven by a decrease in creditors.

Net interest paid was £18.9m (2012: £24.0m) relating primarily to bank loans. Taxation of £2.2m (2012: £1.5m) was also paid.

Net cash outflow on capital expenditure and other investments during the period was £73.9m (2012: £139.3m). The net cost of the acquisition of Multikino S.A. and of minority interests in CinemaxX AG totalled £47.4m plus £11.4m of overdrafts acquired. Capital investment in the cinemas and related assets, net of landlord contributions, was £22.3m. Proceeds from disposal of assets totalled £7.2m.

Net cash inflow from financing activities was £32.7m (2012: £146.7m). £98m was repaid to previous shareholders and £777.9m was received from shareholder loans issued plus £3.9m relating to an issue of shares. These were part of the refinancing of the Group carried out during the acquisition by Vougeot Bidco plc. Cash received from new bank loan drawdown's, made before the refinancing, was £140.5m less £6.0m of related debt issue costs, bank loans of £481.2m, loan notes of £286.4m, preference shares of £11.1m and other loans of £7.0m were all repaid as part of the refinancing.

Net debt at the end of the period was £752.9m (2012: £607.1m). This comprises £798.8m of shareholder loans, £6.7m of other loans, £2.0m of revolving credit facility borrowings, and £54.6m of cash.

**Strategy**

The Group's objective is to achieve growth through a combination of business improvements, organic growth and acquisitions. Business improvements have been achieved through such initiatives as the implementation of new pricing policies, digital, 3D, VIP seating and VueXtreme screens.

In the UK, Vue opened three sites in 2013; Cramlington in the North East of England opened on 5 July 2013 with nine screens. The cinema is part of a leisure extension to an existing town centre shopping mall that includes new bars and restaurants. Bicester, a town near to Oxford and close to Bicester Outlet Mall opened with seven screens on 11 July 2013. This cinema is part of a revitalised town centre development comprising new retail, bars and restaurants. Glasgow Fort is an existing highly successful out of town Retail Park situated to the North East of Glasgow City Centre at Junction 10 on the M8. This site opened on 23 August 2013 with eight screens. All of these new sites are built to Vue's high standards and include stadium seating and VIP seats in all screens. In Cramlington and Glasgow Fort, a supersized large format 'VueXtreme' screen was introduced as part of the cinema offer, which also includes the new Dolby Atmos 3D sound system which is now part of the VueXtreme screen offer.

In Poland, Multikino opened three sites in 2013; Tychy and Czechowice-Dziedzice are both in the southern region of Silesia, where the largest city is Katowice. Tychy opened with five screens on 15 March 2013 and Czechowice-Dziedzice opened on 24 October 2013 with four screens. The third site to open in Poland in 2013 was Lublin, which is in the western region of Poland. The cinema opened on 9 November 2013 with eight screens. All screens have stadium seating as standard and include Vue's premium priced VIP seating. Consistent with the style of operations employed by Vue in the UK market since 2001, they include a combined Ticket at Any Till operation where all tickets are sold from the retail stands.

The Group has been successful in identifying several further opportunities for multiplex development and plans to open two new state-of-the-art cinemas in Farnborough (UK) & Olsztyn (Poland) in 2014. These sites are in addition to the recent openings at Gateshead (UK) and Katowice (Poland) both of which were opened on 20 December 2013 and have nine and ten screens respectively.

The Group continues to explore appropriate acquisition opportunities as they arise.



**Directors' Report**  
**for the period ended 28 November 2013 — (continued)**

**Market Environment Trends and Factors Affecting Future and Current Performance**

**Admissions and Gross Box Office Revenues (GBOR)**

The recent annual trend of market Admissions and GBOR for the three key territories within the business are shown in the table below<sup>1</sup>.

<b>Admissions (m)</b>	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2013 vs 2012</b>
UK . . . . .	163.9	170.6	– 3.9%
Germany . . . . .	127.9	133.7	– 4.3%
Poland . . . . .	35.7	39.1	– 8.7%
<b>GBOR</b>	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2013 vs 2012</b>
UK (£m) . . . . .	1,074.8	1,076.5	– 0.2%
Germany (€m) . . . . .	1,008.6	1,003.6	0.5%
Poland (PLNm) . . . . .	654.0	720.2	– 9.2%

Despite UK annual admissions falling by 3.9% in 2013, the GBOR only fell short of the record set in 2012 by 0.2% and exceeded £1.0bn for the fourth year in a row. The abundance of high quality 3D films helped the average ticket price to grow during 2013.

In Germany, annual admissions were down by 4.3%, but helped by the success of 3D films in the market the overall box office was up 0.5% and again exceeded €1.0bn.

In Poland, annual admissions were down by 8.7% suffering mainly from a less appealing kids' films line-up than 2012. With ATP being impacted by the lower priced offerings from one-screen independent cinemas, market GBOR reduced by 9.2%.

**Digital**

As at 28 November 2013 the Vue Group is 100% digital after the final screens were converted in Germany in July 2013. The Sony 4K projectors installed in 95% of Vue and CinemaxX screens provide audiences with state-of-the-art on-screen presentation — immersive flicker-free 3D and superior 8.8 million pixel 2D quality as compared to the 2K projectors typically in use elsewhere. The conversion of the Group's projection systems to digital represents a long term investment enabling it to offer numerous benefits to its customers. Digital allows: greater variety of films through programming flexibility, greater choice through alternative "event cinema" such as Doctor Who in 3D and Warhorse live from the National Theatre and new and exciting formats such as High Frame Rate film versions (e.g. The Hobbit) which appeal to the true cinema enthusiast.

**VueXtreme**

The VueXtreme screens are super-sized large format screens with 3D capability. VueXtreme has proven highly popular among cinema-goers as a screen of first choice and due to this success the Group now has converted 14 VueXtreme screens in total in the UK and opened its first VueXtreme screen in Katowice in Poland during December 2013. We will continue to assess opportunities within the acquired circuits to roll these out further.

**Screen Advertising**

General economic conditions for screen advertising continue to be challenging across all territories. Along with other advertising media businesses, screen advertising continues to face issues such as the consolidation of the advertising buying base and the continued rise of online/digital advertising. Screen advertising companies are responding by promoting the flexibility of digital projection capabilities, reaffirming the substantial impact associated with advertising on a cinema screen and diversifying their advertising capabilities through alternative channels such as Apps in order to drive brand count and overall spend.

<sup>1</sup> Source: UK — IBOE; Germany — FFA; Poland — boxoffice.pl (calendar months December to November)

**Directors' Report**  
**for the period ended 28 November 2013 — (continued)**

**Key Performance Indicators**

The board monitors progress on the overall Group strategy by reference to several key performance indicators which include market share (admissions and GBOR), operating profit margin and Group EBITDA.

Operating profit margin and Group EBITDA KPI's are shown below:

	Period ended 28 November 2013	Period ended 29 November 2012
Operating profit (non statutory)* . . . . .	<b>£205.6m</b>	£168.5m
Operating profit margin (non statutory)* . . . . .	<b>39.8%</b>	44.3%
Group EBITDA** . . . . .	<b>£88.7m</b>	£66.2m

\* Operating profit per the Group's management accounts excludes depreciation, rent and other property charges and other items.

\*\* Group EBITDA is stated before taking into account depreciation, amortisation, pre-opening, site abandonment costs and other costs.

KPI period results include the results of Multikino S.A. as from the date of acquisition on 30 September 2013.

**Future Outlook**

2014 has a similar look to that seen in the market during 2013. Some of the highlights for 2014 include the second film in The Hobbit trilogy, The Desolation of Smaug, The Lego Movie which could well start a new franchise, the 3<sup>rd</sup> instalment of the Hunger Games series, Transformers 4, a new Godzilla film, How to Train Your Dragon 2, the film version of the highly successful stage musical Jersey Boys, Dawn of the Planet of the Apes and to close the year the new film from Christopher Nolan, who directed the Dark Knight films and Inception in 2012, who returns with a Sci Fi futuristic thriller called Interstellar.

Highly anticipated local productions in Germany include Fack Ju Göhte, Der Medicus, Männerhort, Doktorspiele and Schossgebete. In Poland, Jack Strong is expected to perform very well.

**Principal Risks and Uncertainties**

The management of the business and the execution of the Group's strategy are subject to a number of risks. The management formally reviews risks and appropriate processes are put in place to monitor and mitigate them.

The key business risks affecting the Group are set out below:

**Film Quality**

The attractiveness of the films released in any period is the main determinant of the Group's admissions, which in turn drives revenues and profitability. The major US studios and the vibrant British film industry continue to develop successful films and new film franchises capable of producing reliable and recurring revenue streams. The film industry in Germany also continues to produce successful films in the German market that help drive the local box office. In addition, the completion of the Group digital projection rollout programme is expected to unlock multiple, as yet untapped, alternative revenue streams including music events, sporting events and gaming activities.

In Poland the film industry is driven by a mix of big foreign productions, films for children and local productions.

**Competition**

The Group operates in a competitive market place with other operators having sites within the catchment areas of many of the Group cinemas. To mitigate this risk our operations team regularly monitor the guest visits and customer experience within their local markets. This risk is further mitigated as a result of the high proportion of state-of-the-art, stadium seated, high quality multiplexes within its portfolio. The Group also invests significant amounts in maintaining and improving its cinema estate.

**Directors' Report**  
**for the period ended 28 November 2013 — (continued)**

**Essential Contractual and Other Arrangements**

The Group's main suppliers are the distributors of the film product that drives admissions at the Group's cinemas. The relative importance of each distributor varies over time in line with the relative attractiveness of the individual films that they release each year. The Group has also continued to develop relationships with leading brands in the retail area including Coca Cola, Britvic, Ben and Jerry's, Cadburys and Ritter Sport.

**Directors**

The directors who held office during the period and up to the date of signing these financial statements, unless otherwise stated, were as follows:

Christopher Fielding	(Non Executive)	Resigned 8 August 2013
Julian Huxtable	(Non Executive)	Resigned 8 August 2013
Tim Robson	(Non Executive)	Resigned 8 August 2013
Stephen Knibbs		
Alan McNair		
J. Timothy Richards		

**J. Timothy Richards — Chief Executive Officer**

In the past 24 years in the cinema exhibition industry, Tim has developed extensive international development and operational experience in over 14 major international markets in Europe, South America, Australia and the Far East. Before entering the entertainment industry, Tim was a Wall Street lawyer engaged in international finance and cross-border mergers and acquisitions while based in London and New York. Tim is currently a Governor of the British Film Institute ("BFI"), Director of Skillset and an elected member of the BAFTA Council.

**Alan McNair — Chief Financial Officer & Deputy Chief Executive Officer**

Alan has over 35 years in the entertainment and leisure business. He has extensive senior management experience in a wide number of international markets, starting in film distribution in 1979, followed by video distribution and since 1987, in international cinema exhibition. Prior to joining Tim in 1999, Alan held the position of Executive Vice President and CFO of United Cinemas International (UCI) worldwide. Alan joined UCI at its inception in 1989 when the company was only operating a handful of cinemas in the UK and as CFO helped steer them to become one of the largest and most successful cinema operators worldwide. Alan has been named the International Exhibitor of the Year by CineEurope in 2014.

**Steve Knibbs — Chief Operating Officer**

Steve joined Vue in 2003. Steve has over 25 years experience in the cinema and leisure business starting in 1985 with Allied Lyons covering pubs, restaurants and hotels. His career in cinema began in 1987 when he joined AMC as a Manager of the UK's first purpose built multiplex cinema progressing to Area Manager with AMC. Following the acquisition of AMC by UCI he rapidly progressed to Managing Director of the UK and Ireland where he guided the team that developed the next generation of stadium seated cinemas. In 1999 Steve was appointed Senior Vice President of Northern Europe for UCI where he oversaw operations in the UK, Ireland, Poland, Czech Republic and Hungary. In 2003 he left UCI to join Tim, Alan and the Vue team.

**Private Equity Ownership**

The Company is a Jersey company controlled by private equity funds. These funds are controlled by OPE Vougeot Holdings Ltd, PE12GV (Artist) Ltd. and PE12PX (Artist) Ltd., investment vehicles for OMERS Administration Corporation, OCP Trust and Her Majesty the Queen in right of Alberta.

## **Directors' Report**

### **for the period ended 28 November 2013 — (continued)**

OMERS administers one of the largest pension funds in Canada with over C\$65 billion in net assets as at December 31, 2013. It invests in several asset classes including private equity, infrastructure, real estate, public equity and fixed income. OMERS has been investing in private equity since 1987, with 10.7% of its net investment assets (in excess of C\$7 billion) currently allocated to private equity investments. With 32 investment professionals, the group is headquartered in Toronto with offices in New York and London.

AIMCo is one of the largest public sector asset managers in Canada, with approximately C\$70 billion in assets under management as at March 31, 2013. AIMCo manages capital for Alberta public sector pension plans, Alberta Government endowment funds and the Province of Alberta. AIMCo manages investments across a wide variety of asset classes, including public equities, fixed income, real estate, timberlands, infrastructure and private equity. AIMCo currently has approximately C\$2.5 billion allocated to fund and direct investments within its growing private equity program. AIMCo has over 330 employees located at its head office in Edmonton, Alberta and satellite offices located in Toronto, Ontario and London, United Kingdom.

On 8 August 2013 Vougeot Bidco plc acquired 100% of the ordinary share capital in the Company. The Company was previously controlled by private equity funds managed by Doughty Hanson & Co. Doughty Hanson & Co acquired the Vue cinema operating group on 21 December 2010.

Upon issuing of all shares, the main shareholders in Vougeot Holdco Limited, the parent undertaking of the largest group in which the results of the Company are consolidated, will be:

OPE Vougeot Holdings Ltd . . . . .	39.35%
PE12GV (Artist) Ltd. and PE12PX (Artist) Ltd. combined . . . . .	39.35%
Employees . . . . .	21.30%

### **Directors' Liabilities Insurance**

During the period to 28 November 2013 and at the date of approval of the financial statements, the Company and Group maintained liability insurance for its directors and officers.

### **Post Balance Sheet Events**

Post balance sheet events are discussed in note 38 to the financial statements.

### **Financial Risk Management**

The Group operations expose it to a variety of financial risks that include liquidity, interest rate and foreign exchange risks. The Group has mechanisms in place that seek to limit the impact of adverse effects of these risks on the financial performance of the Group.

#### **Liquidity Risk**

The Group actively manages its finances to ensure that the Group has sufficient funds available for its operations.

#### **Foreign Exchange Risk**

The Group has foreign currency assets and liabilities. The Group does not currently use financial instruments to manage the risk of fluctuating exchange rates, relying instead on the distribution of assets and liabilities in various currencies as natural hedges. The directors keep this situation on constant review.

### **Financing**

The Group has both short and long term financing in place to meet the ongoing requirements of the business. Short term financing takes the form of cash balances available, a revolving credit and overdraft facility and certain shareholder loans. The longer term financing of the Group is provided by certain shareholder loans. Further details of the financing facilities can be found in note 22 to the financial statements.

**Directors' Report**  
**for the period ended 28 November 2013 — (continued)**

**Financial Instruments**

The Group currently has no financial derivatives in place.

**Branch**

The Group operates a branch in Dublin, Eire.

**Research and Development**

The Group continues to invest in the design, maintenance and operation of its cinemas in order to ensure customers are provided with the ultimate guest experience every time they visit one of the Group's cinemas.

**Environmental Matters**

Management have continued a programme of capital and operational initiatives during 2013 that has delivered major reductions in the Group's carbon footprint including environmentally beneficial projects in relation to water conservation and waste management.

In the UK, Vue has a long term target to recycle 95% of all waste produced at our cinemas and head office. Following a good start in 2011 of 35%, Vue recycled 60% in 2012, 60% in 2013 and anticipates increasing the level of recycling to 75% for all Vue managed sites in 2014.

During 2012 waterless urinal technology has been fitted to all those cinemas in the UK that did not previously benefit from this. As a result of waterless technology, Vue has reduced water consumption by 28% between 2011 and 2013.

During 2013 Vue continued to implement measures that have led to reductions in our electricity consumption. During 2013, Vue used 9.6% less electricity than in 2012. These reductions were achieved as a result of several major capital projects including energy efficient lighting, enhancements to our heating, ventilation and air conditioning equipment and controls and additional management procedures in relation to operational best practice.

Vue will continue to develop its energy saving strategy during 2014 and plan to roll out these schemes across our acquired sites throughout the Group.

**Social and Community Issues**

The Group actively works with local communities in which the business operates and always tries to attract people to fill vacancies from those communities.

**Employees**

**Creating and Retaining High Performing Employees**

Creating and retaining talented employees is a fundamental part of the Group strategy as is our ability to develop transferable skills, retain knowledge within the business and offer employees new career paths and opportunities.

**Reward and Recognition**

The Group's reward and recognition strategy is designed to ensure that employees are aligned to the Group's goals. Performance is driven by continuously reviewing and improving incentive plans that align all employees to the delivery of key business priorities and targets. Pay and benefit structures are competitive and are regularly benchmarked against relevant external data.

**Learning and Development**

The Group is committed to providing training and on-going development that is aligned to business and employee needs. Modular training frameworks create clear career paths for employees, ensuring that they fulfil their potential and have the skills and ability required to effectively perform their roles. In addition to

## **Directors' Report for the period ended 28 November 2013 — (continued)**

this, as the business continues to change, develop and grow, focused training and development programmes are designed and delivered that support employees with the acquisition of new skills and capabilities. There are also bespoke and targeted development programmes for employees in the internal talent pools that support management succession plans. These talent pipelines ensure that critical vacancies are filled quickly and effectively.

### **Employee Involvement and Communication**

The Group seeks to engage all employees in both its short and long term goals. This is achieved through a number of 2-way communication methods such as senior management briefings, employee forums and newsletters.

The Employee forums are made up of independently elected representatives. A number of regional forums exist that are made up of representatives from each of the business units. These meetings provide the framework for the Group's consultative process; representatives provide invaluable feedback and input on a wide range of issues including customer service, business efficiency, performance improvement and employee benefits.

The Group operates a number of incentive schemes. These reinforce the philosophy of encouraging employees to contribute directly to the achievement of the Group's goals and of rewarding individual and collective success.

### **Equality of Opportunity**

The Group is committed to making full use of the talents within the business and therefore provides equal opportunities for all. Employment decisions which include recruitment, promotion, compensation, benefits, performance management and training are based on an individual's skills, performance and behaviour and how these relate to the requirements of the business.

It is the policy of the Group that disabled people, whether registered or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The Group is prepared to modify procedures or equipment, wherever this is practicable, so that full use can be made of an individual's abilities.

### **Directors' Responsibilities Statement**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Companies (Jersey) law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the Group and Company financial statements in accordance with United Kingdom Accounting Standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors confirm they have complied with all the above requirements in preparing the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of



**Directors' Report**  
**for the period ended 28 November 2013 — (continued)**

the Company and the Group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Statement of disclosure of information to auditors**

Each of the persons who is a director in office at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

**Independent auditors**

PricewaterhouseCoopers LLP have indicated their willingness to serve as auditors for the coming period and a resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the next Annual General Meeting.

On behalf of the board

Alan McNair

**Director**

29 September 2014

## **Independent Auditors' Report to the Members of Vue Entertainment International Limited**

We have audited the Group and Company financial statements of Vue Entertainment International Limited for the period ended 28 November 2013 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Statement of Shareholders' Deficit and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on F-93 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Company's affairs as at 28 November 2013 and of the Group's loss and cash flows for the period then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

### **Opinion on other matter**

In our opinion the information given in the directors' report for the financial period for which financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company or returns adequate for our audit have not been received from branches not visited by us; or

**Independent Auditors' Report to the Members of  
Vue Entertainment International Limited — (continued)**

- the Company financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Philip Stokes

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants

London

29 September 2014

**Vue Entertainment International Limited**  
**Consolidated Profit and Loss Account**  
**for the period ended 28 November 2013**

	Notes	Period ended 28 November 2013 £'000	Period ended 29 November 2012 £'000
<b>Turnover</b>			
Continuing operations:			
Existing . . . . .		<b>504,974</b>	376,915
Acquisitions . . . . .		<b>13,245</b>	—
<b>Turnover</b> . . . . .	2	<b>518,219</b>	376,915
Cost of sales . . . . .		<b>(193,734)</b>	(140,524)
<b>Gross profit</b> . . . . .		<b>324,485</b>	236,391
Administrative expenses . . . . .		<b>(307,628)</b>	(218,358)
<b>Operating profit</b>			
Continuing operations:			
Existing . . . . .		<b>15,436</b>	18,033
Acquisitions . . . . .		<b>1,421</b>	—
<b>Operating profit</b> . . . . .	4	<b>16,857</b>	18,033
Interest receivable and similar income . . . . .	7	<b>184</b>	124
Interest payable and similar charges . . . . .	8	<b>(83,975)</b>	(56,790)
<b>Loss on ordinary activities before taxation</b> . . . . .		<b>(66,934)</b>	(38,633)
Tax on loss on ordinary activities . . . . .	9	<b>(3,083)</b>	(2,616)
<b>Loss on ordinary activities after taxation</b> . . . . .		<b>(70,017)</b>	(41,249)
Minority interests . . . . .		<b>(396)</b>	(175)
<b>Loss for the financial period</b> . . . . .		<b>(70,413)</b>	(41,424)

There is no difference between the loss on ordinary activities before taxation and the loss for the financial periods stated above and their historical cost equivalents.

The notes on pages F-102 to F-124 form an integral part of these financial statements.

**Vue Entertainment International Limited**  
**Consolidated Balance Sheet**  
**as at 28 November 2013**

	Notes	As at 28 November 2013 £'000	As at 29 November 2012 £'000
<b>Fixed assets</b>			
Intangible assets . . . . .	11	<b>377,362</b>	361,109
Tangible assets . . . . .	12	<b>356,271</b>	300,137
Investment in associate . . . . .		<b>238</b>	—
		<b>733,871</b>	661,246
<b>Current assets</b>			
Assets held for sale . . . . .	14	—	2,082
Stock . . . . .	16	<b>2,743</b>	2,717
Debtors: amounts falling due within one year . . . . .	17	<b>53,034</b>	31,712
Debtors: amounts falling due after more than one year . . . . .	17	<b>25,587</b>	16,385
Cash at bank and in hand . . . . .	18	<b>54,573</b>	61,933
		<b>135,937</b>	114,829
<b>Creditors: amounts falling due within one year</b>			
Loans . . . . .	19,21	<b>(718,237)</b>	(168,778)
Other creditors . . . . .	19	<b>(117,804)</b>	(91,405)
		<b>(836,041)</b>	(260,183)
<b>Net current liabilities</b> . . . . .		<b>(700,104)</b>	(145,354)
<b>Total assets less current liabilities</b> . . . . .		<b>33,767</b>	515,892
<b>Creditors: amounts falling due after more than one year</b>			
Loans . . . . .	20,21	<b>83,079</b>	498,220
Other creditors . . . . .	20	<b>51,067</b>	40,469
Provision for liabilities . . . . .	23	<b>41,118</b>	37,884
Preference shares . . . . .	22	—	8,248
<b>Capital and reserves</b>			
Called up share capital . . . . .	25	<b>3</b>	3
Share premium . . . . .	25	<b>6,366</b>	2,457
Profit and loss account . . . . .	27	<b>(149,579)</b>	(73,996)
<b>Total shareholders' deficit</b> . . . . .		<b>(143,210)</b>	(71,536)
Minority interests . . . . .		<b>1,713</b>	2,607
<b>Capital employed</b> . . . . .		<b>33,767</b>	515,892

The notes on pages F-102 to F-124 form an integral part of these financial statements.

Approved by the Board of Directors and signed on its behalf by:

Alan McNair  
**Director**  
29 September 2014

**Vue Entertainment International Limited**  
**Company Balance Sheet**  
**as at 28 November 2013**

	Notes	As at 28 November 2013 £'000	As at 29 November 2012 £'000
<b>Fixed assets</b>			
Investments . . . . .	13	<u>2,364</u>	<u>2,364</u>
		<b>2,364</b>	<b>2,364</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year . . . . .	17	<b>442,158</b>	162
Debtors: amounts falling due after more than one year . . . . .	17	<b>374,062</b>	51
Cash at bank and on hand . . . . .		<u>60</u>	<u>—</u>
		<b>816,280</b>	213
<b>Creditors: amounts falling due within one year</b>			
Loans . . . . .	19,21	<b>(716,254)</b>	—
Other creditors . . . . .	19	<u>(16,044)</u>	<u>(233)</u>
		<b>(732,298)</b>	<b>(233)</b>
<b>Net current assets/(liabilities)</b> . . . . .		<u><b>83,982</b></u>	<u>(20)</u>
<b>Total assets less current liabilities</b> . . . . .		<u><b>86,346</b></u>	<u><b>2,344</b></u>
<b>Creditors: amounts falling due after more than one year</b>			
Loans . . . . .	20,21	<u><b>82,569</b></u>	<u>—</u>
<b>Capital and reserves</b>			
Called up share capital . . . . .	25	<b>3</b>	3
Share premium . . . . .	25	<b>6,366</b>	2,457
Profit and loss account . . . . .	27	<u><b>(2,592)</b></u>	<u>(116)</u>
<b>Total shareholders' funds</b> . . . . .		<u><b>3,777</b></u>	<u><b>2,344</b></u>
<b>Capital employed</b> . . . . .		<u><b>86,346</b></u>	<u><b>2,344</b></u>

The notes on pages F-102 to F-124 form an integral part of these financial statements.

Approved by the Board of Directors and signed on its behalf by:

Alan McNair  
**Director**  
29 September 2014



**Vue Entertainment International Limited**  
**Consolidated Cash Flow Statement**  
**for the period ended 28 November 2013**

	Notes	Period ended 28 November 2013 £'000	Period ended 29 November 2012 £'000
<b>Operating activities</b>			
Net cash inflow from operating activities . . . . .	33	<u>53,079</u>	<u>62,040</u>
<b>Return on investments and servicing of finance</b>			
Interest received . . . . .		184	140
Interest paid . . . . .		<u>(19,084)</u>	<u>(24,160)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b> . . . . .		<b>(18,900)</b>	<b>(24,020)</b>
Taxation paid . . . . .		<b>(2,214)</b>	<b>(1,538)</b>
<b>Cash outflow for capital expenditure and other financial investments</b>			
Payments to acquire tangible assets . . . . .		<b>(26,850)</b>	<b>(23,008)</b>
Landlord contributions received . . . . .		4,560	1,300
Proceeds from disposal of tangible assets . . . . .		7,243	1,515
Acquisitions . . . . .		<b>(47,422)</b>	<b>(148,589)</b>
(Bank overdrafts)/cash acquired on acquisition . . . . .		<u><b>(11,475)</b></u>	<u>29,490</u>
<b>Net cash outflow from capital expenditure and other financial investments</b> . . . . .		<b>(73,944)</b>	<b>(139,292)</b>
<b>Net cash outflow before financing activities</b> . . . . .		<u><b>(41,979)</b></u>	<u><b>(102,810)</b></u>
<b>Financing activities</b>			
Bank loans received . . . . .		140,506	55,699
Bank loans repaid . . . . .		<b>(481,232)</b>	—
Other external loans repaid . . . . .		<b>(6,988)</b>	<b>(433)</b>
Issue costs paid . . . . .		<b>(6,001)</b>	—
Repayment of loan notes . . . . .		<b>(286,381)</b>	<b>(4,690)</b>
Repayment of preference shares . . . . .		<b>(11,129)</b>	—
Issue of share capital . . . . .		3,909	—
Shareholder loans issued . . . . .		777,938	—
Amounts (repaid)/issued to previous shareholders . . . . .		<u><b>(97,967)</b></u>	<u>96,164</u>
<b>Net cash inflow from financing activities</b> . . . . .		<u><b>32,655</b></u>	<u>146,740</u>
<b>(Decrease)/increase in cash</b> . . . . .	34	<u><b>(9,324)</b></u>	<u><b>43,930</b></u>

The notes on pages F-102 to F-124 form an integral part of these financial statements.

**Vue Entertainment International Limited**  
**Consolidated Statement of Total Recognised Gains and Losses**  
**for the period ended 28 November 2013**

	Period ended 28 November 2013 £'000	Period ended 29 November 2012 £'000
Loss for the financial period . . . . .	<b>(70,413)</b>	(41,424)
Foreign exchange movement . . . . .	<b>(5,170)</b>	1,158
Total recognised losses relating to the financial period . . . . .	<b><u>(75,583)</u></b>	<b><u>(40,266)</u></b>

**Consolidated Statement of Shareholders' Deficit**  
**for the period ended 28 November 2013**

	Share Capital £'000	Share Premium £'000	Profit and Loss Account £'000	Total Shareholders' Deficit £'000
Balance as at 29 November 2012 . . . . .	3	2,457	(73,996)	(71,536)
Loss for the financial period . . . . .	—	—	(70,413)	(70,413)
Foreign exchange movement . . . . .	—	—	(5,170)	(5,170)
Net increase/(reduction) for the period . . . . .	3	2,457	(149,579)	(147,119)
Share premium arising on shares issued in period . . . . .	—	3,909	—	3,909
<b>At 28 November 2013 . . . . .</b>	<b><u>3</u></b>	<b><u>6,366</u></b>	<b><u>(149,579)</u></b>	<b><u>(143,210)</u></b>

The notes on pages F-102 to F-124 form an integral part of these financial statements.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements**  
**for the period ended 28 November 2013**

**1 Accounting Policies**

**a) Basis of preparation**

These financial statements have been prepared under the historical cost convention in accordance with the Companies (Jersey) Law 1991 and applicable accounting standards in the United Kingdom ("UK GAAP reporting").

A summary of the more important Group accounting policies is set out below.

The financial statements have been prepared on a going concern basis. The directors deemed it appropriate to prepare the accounts on a going concern basis having given due regard to the trading results and capital structure of the Group. In particular the working capital requirements of the Group are met by the Group's available cash balance combined with the revolving credit and overdraft facility and certain shareholder loans. The longer term finance of the Group is provided by certain shareholder loans. The immediate parent of the Company, Vougeot Bidco plc, has confirmed it does not currently intend to require repayment of the shareholder loans in the next period. As a result the directors believe that the Company and Group will, for the foreseeable future, be able to continue trading and meet all their liabilities as they fall due.

There is no material difference between the fair value of financial assets and liabilities and their carrying amount.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Although these judgements, estimates and assumptions are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ. Further details regarding areas requiring significant judgements, estimates and assumptions are provided in the accounting policies below and in the relevant note to the financial statements where applicable.

Management have determined that the key areas of judgement, estimate and assumptions to disclose include the nature and obligation of onerous lease provisions, the assessment of the Group's digital investment as prepaid operating lease commitments and the carrying value of tangible fixed assets.

**b) Accounting reference date**

The Company prepares financial statements for either 52 or 53 week periods ending on a Thursday within one week of 30 November. The results of the current period refer to the 52 weeks ended 28 November 2013. The comparative results for the prior period refer to the 53 week period ended 29 November 2012.

**c) Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings as listed in note 13. A subsidiary undertaking is fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Some of the subsidiaries of the Group do not have the same financial year-end reference date. Any such subsidiaries are included in the consolidated results of the Group based on their management account information, adjusted as appropriate to conform with the Group's accounting policies.

Intercompany transactions, balances and unrealised gains or losses on transactions between subsidiaries in the Group are eliminated on consolidation.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**1 Accounting Policies (continued)**

**d) Acquisitions**

The identifiable assets and liabilities of the company acquired are included in the consolidated balance sheet at their fair value at the date of acquisition, and its results included in the profit and loss account from the date of the acquisition. The difference between the fair value of the consideration given and the fair values of the net assets of the entity acquired is accounted for as negative or positive goodwill as applicable.

**e) Company profit and loss**

The profit and loss account of the Company is not presented as a part of these financial statements. The amount of the loss in the Company financial statements is disclosed in note 10.

**f) Revenue recognition**

Revenue is reported net of value added tax and comprises primarily ticket and concession sales and screen advertising income. Revenue from ticket sales is reported in the period in which the film is shown. Screen advertising is recognised in the period to which it relates. Concession revenue is recognised at the time of sale. Other income is recognised in the period to which it relates.

**g) Depreciation**

Depreciation is provided on all tangible fixed assets in use during the period. The rates used are calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life at the following annual rates:

Freehold buildings	— 15 years
Long leasehold land and buildings	— 40 years
Short leasehold land and buildings	— 20 – 25 years (or length of the lease, if shorter)
Other cinema site assets	— 15 years (or length of the lease, if shorter)
Equipment	— 3 – 20 years
Software	— 3 – 7 years
Freehold land is not depreciated.	

Construction in progress is not depreciated until projects are completed and brought into use.

**h) Impairment of fixed assets**

The carrying value of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed assets of income-generating units may not be recoverable. The need for any fixed asset impairment provision is assessed by comparison of the carrying value of an income generating unit. An income generating unit comprises either an individual site or a portfolio of related sites.

The discount rate used in assessing the value in use of the assets is the estimated weighted average cost of capital employed by the Group, adjusted as necessary for any particular risks of the subsidiary being reviewed. The weighted average cost of capital employed by the Group has been calculated as the weighted average of the internal rate of return applied in the equity funding and the Group's external debt interest rate.

**i) Intangible fixed assets — goodwill**

Goodwill is the difference between the aggregate of the fair value of those separately identifiable assets and liabilities acquired and the fair value of the purchase consideration.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**1 Accounting Policies (continued)**

Goodwill is capitalised and amortised over its useful life, which in the opinion of the directors is 20 years. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill is written back in equal annual instalments over its assumed economic life of 20 years.

**j) Fixed asset investments**

Investments are stated at cost less provision for impairment. Investments in subsidiaries are reviewed annually for possible impairment.

**k) Stock**

Stock is valued at the lower of cost and net realisable value after making due allowance for any obsolete items.

Programming stock held in relation to the Group's distribution business is held at cost less provision for impairment. Impairment is based on the expected returns of the films for the period of distribution.

**l) Pensions**

Pension contributions, which are made to defined contribution pension plans held within the Group are charged to the profit and loss account as incurred. These contributions are invested separately from the Group's assets.

**m) Operating lease arrangements and incentives**

Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term.

Payments from lessors made for the benefit of the Group, received as a landlord contribution incentive to enter into a lease, are recognised as deferred income and released to landlords' contribution within the profit or loss account on a straight line basis over the shorter of the period of the lease or over the period to the first review date at which rental is expected to be aligned with the prevailing market rate.

Other lease incentives, such as rent free periods, are amortised over the remaining term of the lease.

**n) Finance lease arrangements**

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future installments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future installments.

**o) Current and deferred taxation**

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantially enacted at the balance sheet date, together with any adjustment in respect of tax payable for previous periods.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**1 Accounting Policies (continued)**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**p) Translation of foreign currencies**

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions; monetary assets and liabilities at the balance sheet date are translated at the period end rate of exchange. All exchange differences arising, whether realised or unrealised, are reported as part of the profit or loss for the period.

In respect of the Company's subsidiaries, profit and loss accounts in currencies other than sterling are translated into sterling at average exchange rates. Balance sheets are translated into sterling at the rates ruling at the period end. Exchange differences arising on consolidation are taken directly to reserves.

**q) Pre-opening and initial site development expenses**

In accordance with accounting pronouncement Urgent Issues Task Force ("UITF") Abstract 24 — "Accounting for Start up Costs", pre-opening costs are written off in the period in which they are incurred.

Expenditure of a capital nature, as set out in Financial Reporting Standard ("FRS") 15 — "Tangible Fixed Assets", is capitalised from the date at which the Board approves the development of the cinema site.

**r) Financial instruments**

Loan notes are held on the balance sheet at their issued amount plus accrued interest that has arisen on them. Interest accrues at a rate of 12.0% per annum over the term of the loan notes and is capitalised on an annual basis to increase the value of the loan notes.

Preference shares were held on the balance sheet at their issued amount. Interest accrued at a rate of 12.0% per annum and was repayable on redemption.

**r) Onerous lease**

Provision is made for onerous leases where it is considered that the unavoidable costs of the lease obligations are in excess of the economic benefits expected to be received by it. The unavoidable costs of the lease reflect the net cost of exiting from the contract and are measured as the lower of the net present value of the cost of continuing to operate the lease and any penalties or other costs of exiting from it.

When calculating the provision for onerous leases the Group is required to make certain assumptions about the future cash flows to be generated from that cinema site. It is also required to discount these cash flows using an appropriate discount rate. The resulting provision is therefore very sensitive to these assumptions, however, the directors consider that the assumptions made represent their best



**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**1 Accounting Policies (continued)**

estimate of the future cash flows generated by onerous cinema sites, and that of the discount rate to calculate the present value of those cash flows.

**s) Related party transactions**

The Company has taken advantage of the exemption contained within FRS 8 — “Related Party Transactions” not to disclose related party transactions with other members of the Group, which are wholly owned subsidiaries. Transactions with all other related parties have been disclosed in note 37.

**u) Minority interests**

Equity minority interests represent the share of the profits less losses on ordinary activities attributable to the interests of equity shareholders in subsidiaries which are not wholly owned by the Group.

**v) Share-based payment incentive plan**

Vougeot Holdco Limited has an equity-settled share-based payment incentive plan, which grants shares to certain management employees. The fair value is measured at grant date and spread over the period in which the employees are anticipated to realise value from the shares. The fair value of the shares awarded is recognised as an expense with a corresponding increase in equity as applicable.

**2 Segmental Information**

Turnover comprises the value of goods and services provided to customers exclusive of value added tax.

	Period ended 28 November 2013 £'000	Period ended 29 November 2012 £'000
<b>Turnover</b>		
United Kingdom . . . . .	<b>300,728</b>	303,262
Continental Europe . . . . .	<b>209,581</b>	66,939
Other . . . . .	<b>7,910</b>	6,714
	<b><u>518,219</u></b>	<b><u>376,915</u></b>

All turnover is derived from external customers in the local geographical market from the operation of cinema sites.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**2 Segmental Information (continued)**

In the period ended 28 November 2013, UK turnover includes £2.0m of non-recurring income relating to the reclaim of VAT previously paid on exempt sales.

	Period ended 28 November 2013 £'000	Period ended 29 November 2012 £'000
<b>(Loss)/profit before taxation</b>		
United Kingdom . . . . .	<b>(79,460)</b>	(41,690)
Continental Europe . . . . .	<b>11,800</b>	2,873
Other . . . . .	<b>726</b>	184
	<b><u>(66,934)</u></b>	<b><u>(38,633)</u></b>
	As at 28 November 2013 £'000	As at 29 November 2012 £'000
<b>(Net liabilities)/net assets</b>		
United Kingdom . . . . .	<b>(304,136)</b>	(151,383)
Continental Europe . . . . .	<b>164,699</b>	80,275
Other . . . . .	<b>(3,773)</b>	(428)
	<b><u>(143,210)</u></b>	<b><u>(71,536)</u></b>

**3 Turnover, Cost of Sales, Gross Profit and Administration Expenses**

	Period ended 28 November 2013 £'000			Period ended 29 November 2012 £'000 Total
	Continuing	Acquisitions	Total	
<b>Turnover</b> . . . . .	<b>504,974</b>	<b>13,245</b>	<b>518,219</b>	376,915
Cost of sales . . . . .	<b><u>(187,339)</u></b>	<b><u>(6,395)</u></b>	<b><u>(193,734)</u></b>	(140,524)
<b>Gross profit</b> . . . . .	<b>317,635</b>	<b>6,850</b>	<b>324,485</b>	236,391
Administrative expenses . . . . .	<b><u>(302,199)</u></b>	<b><u>(5,429)</u></b>	<b><u>(307,628)</u></b>	(218,358)
<b>Group operating profit</b> . . . . .	<b><u>15,436</u></b>	<b><u>1,421</u></b>	<b><u>16,857</u></b>	<b><u>18,033</u></b>

Results in the current year include the acquisition of Multikino S.A..

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**4 Operating Profit**

	Period ended 28 November 2013 £'000	Period ended 29 November 2012 £'000
Operating Profit is stated after charging/(crediting):		
Loss/(profit) on disposal of fixed assets . . . . .	196	(139)
Depreciation on tangible fixed assets (note 12) . . . . .	35,458	30,201
Impairment of tangible fixed assets (note 12) . . . . .	4,000	—
Amortisation of intangible fixed assets (note 11) . . . . .	20,021	16,069
Realised foreign exchange losses . . . . .	1,445	5
Unrealised foreign exchange gains . . . . .	(16)	—
Provision for liabilities — charge to the profit and loss account (note 23) . .	5,827	569
Provision for liabilities — utilised during the period (note 23) . . . . .	(5,547)	(4,105)
Impairment of assets held for sale . . . . .	—	332
Rentals under other operating leases . . . . .	93,914	67,812
Rentals under operating leases on plant and machinery . . . . .	2,052	1,401
Pre-opening expenses . . . . .	848	106

In 2011 subsidiary undertakings of the Group made upfront payments under a lease for certain equipment. These payments are being spread for accounting purposes over the useful life of the equipment which is estimated to be seven to eight years. These form part of rentals under operating leases on plant and machinery.

**5 Auditor Remuneration**

	Period ended 28 November 2013 £'000	Period ended 29 November 2012 £'000
Fees payable to the Company's auditor and its associates for audit of the Group and Company's annual financial statements . . . . .	5	80
Fees payable to the Company's auditor and its associates for — Auditing of the financial statements of subsidiaries . . . . .	202	85
— Fees relating to corporate finance transactions . . . . .	699	—
— Tax advisory services . . . . .	72	—
— All other services . . . . .	30	58
	<u>1,008</u>	<u>223</u>

**6 Staff Costs**

	Period ended 28 November 2013 £'000	Period ended 29 November 2012 £'000
Wages and salaries . . . . .	67,068	44,613
Social security costs . . . . .	5,766	3,295
Other pension costs (note 32) . . . . .	241	241
	<u>73,075</u>	<u>48,149</u>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**6 Staff Costs (continued)**

The average monthly number of employees during the period was made up as follows:

	Period ended 28 November 2013	Period ended 29 November 2012
Cinema . . . . .	<b>6,727</b>	3,797
Administration . . . . .	<b>345</b>	143
	<u><b>7,072</b></u>	<u>3,940</u>

Included in the average number of persons employed by the Group are part-time employees. No distinction is made between full-time and part-time employees in the analysis above.

**Directors' Emoluments**

	Period ended 28 November 2013 £'000	Period ended 29 November 2012 £'000
Aggregate emoluments, including benefits in kind . . . . .	<b>3,075</b>	2,176
Defined contribution scheme — Group contributions . . . . .	<b>25</b>	29
	<u><b>3,100</b></u>	<u>2,205</u>

The directors of the Company are remunerated in respect of their executive management services to both the Company, Group and Vougeot Bidco plc, the immediate parent of the Company, as a whole. For the period to 8 August 2013, directors' emoluments were incurred by Vue Services Limited, a subsidiary of the Company. Post 8 August 2013, directors' emoluments were incurred by Vougeot Bidco plc.

Retirement benefits are accruing to one director under a defined contribution scheme.

Non executive directors are not remunerated for their services to the Company and Group.

	Period ended 28 November 2013 £'000	Period ended 29 November 2012 £'000
<b>Highest paid director</b>		
Aggregate emoluments, including benefits in kind . . . . .	<b>1,186</b>	715
Defined contribution scheme — Company contributions . . . . .	<b>25</b>	21
	<u><b>1,211</b></u>	<u>736</u>

**7 Interest Receivable and Similar Income**

	Period ended 28 November 2013 £'000	Period ended 29 November 2012 £'000
Bank interest receivable . . . . .	<b>76</b>	64
Other interest receivable . . . . .	<b>108</b>	60
	<u><b>184</b></u>	<u>124</u>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**8 Interest Payable and Similar Charges**

	Period ended 28 November 2013 £'000	Period ended 29 November 2012 £'000
Bank loans and Revolving Credit Facility interest payable . . . . .	<b>16,650</b>	16,958
Other interest payable . . . . .	<b>2,242</b>	2,821
Amortisation of capitalised issue costs . . . . .	<b>17,828</b>	2,402
Unwinding of discount factor on onerous leases (note 23) . . . . .	<b>3,205</b>	3,075
Loan notes interest payable . . . . .	<b>21,676</b>	28,622
Preference shares interest payable . . . . .	<b>849</b>	1,110
Shareholder loans . . . . .	<b>21,525</b>	1,802
	<b><u>83,975</u></b>	<b><u>56,790</u></b>

**9 Taxation**

	Period ended 28 November 2013 £'000	Period ended 29 November 2012 £'000
<b>Analysis of tax for the financial period</b>		
<b>Current tax</b>		
UK corporation tax at 23.33% (2012: 24.67%) . . . . .	—	—
Group relief receipts . . . . .	<b>(39)</b>	—
Under provision for prior years . . . . .	<b>57</b>	79
Overseas tax suffered . . . . .	<b>4,315</b>	932
<b>Total current tax charge . . . . .</b>	<b><u>4,333</u></b>	<b><u>1,011</u></b>
<b>Deferred tax</b>		
Origination and reversal of timing differences . . . . .	<b>(1,250)</b>	1,605
<b>Total deferred tax . . . . .</b>	<b><u>(1,250)</u></b>	<b><u>1,605</u></b>
<b>Tax charge on loss on ordinary activities . . . . .</b>	<b><u>3,083</u></b>	<b><u>2,616</u></b>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**9 Taxation (continued)**

**Factors affecting current tax charge for the financial period**

The standard rate of current tax for the period, based on the UK standard rate of corporation tax is 23.33% (2012: 24.67%). The current tax charge for the period differs from the standard rate for the reasons in the reconciliation overleaf.

	Period ended 28 November 2013 £'000	Period ended 29 November 2012 £'000
<b>Analysis of tax charge for the financial period</b>		
<b>Group</b>		
Loss on ordinary activities before tax . . . . .	<b>(66,934)</b>	(38,633)
Loss on ordinary activities multiplied by the effective rate of corporation tax in the UK of 23.33% (2012: 24.67%) . . . . .	<b>(15,616)</b>	(9,531)
<b>Effects of:</b>		
Depreciation in excess of capital allowances/(Capital allowances in excess of depreciation) . . . . .	<b>1,956</b>	(804)
Expenses not deductible for tax purposes . . . . .	<b>10,988</b>	11,890
Utilisation of brought forward losses . . . . .	<b>(140)</b>	(1,107)
Foreign branch income not subject to UK tax . . . . .	<b>(208)</b>	(438)
Overseas tax suffered . . . . .	<b>4,315</b>	932
Under provision for prior years . . . . .	<b>57</b>	79
Tax losses carried forward . . . . .	<b>3,211</b>	—
Taxable gains less book gains . . . . .	<b>(154)</b>	—
Non-taxable income . . . . .	<b>(83)</b>	—
Other timing differences . . . . .	<b>7</b>	(10)
<b>Current tax charge for the financial period . . . . .</b>	<b><u>4,333</u></b>	<b><u>1,011</u></b>

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Group results for this accounting period are taxed at a rate of 23.33%. Further reductions to 21% (effective from 1 April 2014) and 20% (effective 1 April 2015) were substantially enacted by Parliament that received Royal Assent on 17 July 2013.

**Deferred Taxation**

Deferred tax is measured on a non-discounted basis at the tax rates which are expected to apply in the periods in which such timing differences reverse based on tax rates and laws substantively enacted at the balance sheet date. No provision has been made for deferred tax on gains recognised on the sale of property where potentially taxable gains are rolled over into replacement assets. The total amount unprovided at 28 November 2013 is £nil (2012: £1.0m). At present it is not envisaged that any such tax will become payable in the foreseeable future. Unrecognised deferred taxation in the current period is £nil (2012: £nil).

**10 Loss of the Company**

The profit and loss account of the Company is not presented as a part of these financial statements. The Company's loss for the financial period ended 28 November 2013 was £2,476k (2012: £94k).



**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**11 Intangible Fixed Assets — Goodwill**

	<u>£'000</u>
<b>Cost</b>	
At 29 November 2012 . . . . .	390,619
Acquisitions . . . . .	33,910
Foreign exchange movement . . . . .	2,263
<b>At 28 November 2013 . . . . .</b>	<b><u>426,792</u></b>
<b>Accumulated amortisation</b>	
At 29 November 2012 . . . . .	(29,510)
Charge during period . . . . .	(20,021)
Foreign exchange movement . . . . .	101
<b>At 28 November 2013 . . . . .</b>	<b><u>(49,430)</u></b>
<b>Net book value at 28 November 2013 . . . . .</b>	<b><u>377,362</u></b>
Net book value at 29 November 2012 . . . . .	<u>361,109</u>

Goodwill includes the purchase of 100% of the ordinary share capital in Multikino S.A. that was made on 30 September 2013 (note 36). Additionally 2.34% of the outstanding shares in CinemaxX AG were acquired during the period for £3.5m resulting in additional £2.0m of goodwill and as result 97.48% of all shares in CinemaxX AG had been acquired at 28 November 2013. Subsequent to the balance sheet date an agreement was reached to acquire the remaining 2.52% of the shares in CinemaxX AG that were not owned by the Group (note 38).

**12 Tangible Fixed Assets**

	<u>Freehold Land and Buildings £'000</u>	<u>Long Leasehold Land and Buildings £'000</u>	<u>Short Leasehold Land and Buildings £'000</u>	<u>Furniture Fixture and Equipment £'000</u>	<u>Construction in Progress £'000</u>	<u>Total £'000</u>
<b>Cost</b>						
At 29 November 2012 . . . . .	961	—	268,260	82,364	1,563	353,148
Acquisitions . . . . .	618	15,501	26,985	20,315	3,704	67,123
Additions . . . . .	5,268	62	12,312	10,698	5,097	33,437
Transfers . . . . .	—	—	1,027	1,941	(2,968)	—
Disposals . . . . .	—	—	—	(12,930)	(135)	(13,065)
Foreign exchange movement . . . . .	(71)	(203)	(211)	1,124	(96)	543
<b>At 28 November 2013 . . . . .</b>	<b><u>6,776</u></b>	<b><u>15,360</u></b>	<b><u>308,373</u></b>	<b><u>103,512</u></b>	<b><u>7,165</u></b>	<b><u>441,186</u></b>
<b>Accumulated Depreciation</b>						
At 29 November 2012 . . . . .	58	—	36,354	16,599	—	53,011
Charge during period . . . . .	493	87	20,550	14,328	—	35,458
Impairment . . . . .	—	—	4,000	—	—	4,000
Disposals . . . . .	—	—	—	(7,775)	—	(7,775)
Foreign exchange movement . . . . .	(7)	(1)	71	158	—	221
<b>At 28 November 2013 . . . . .</b>	<b><u>544</u></b>	<b><u>86</u></b>	<b><u>60,975</u></b>	<b><u>23,310</u></b>	<b><u>—</u></b>	<b><u>84,915</u></b>
<b>Net book value at</b>						
<b>28 November 2013 . . . . .</b>	<b><u>6,232</u></b>	<b><u>15,274</u></b>	<b><u>247,398</u></b>	<b><u>80,202</u></b>	<b><u>7,165</u></b>	<b><u>356,271</u></b>
Net book value at 29 November						
2012 . . . . .	<u>903</u>	<u>—</u>	<u>231,906</u>	<u>65,765</u>	<u>1,563</u>	<u>300,137</u>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**12 Tangible Fixed Assets (continued)**

The additions for the period include an amount of £8.4m of capital expenditure accrued as at 28 November 2013 (2012: £1.3m) relating to expenditure on new sites and other projects.

The impairment charge of £4.0m related to the review carried out of the UK cinema business on a cinema entity level.

**Company**

The Company had no tangible fixed assets at 28 November 2013 (2012: £nil).

**Finance lease agreements**

Included within the net book value as at 28 November 2013 is £8.4m (2012: £133k) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £138k (2012: £9k). The finance leases all relate to furniture, fixtures and fittings.

**13 Fixed Asset Investments**

£'000

**Company**

At 28 November 2013 & at 29 November 2012 ..... 2,364

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The respective statutory financial year-ends of the following subsidiary undertakings is 31 December: Spean Bridge Cinemas (Algarve) Lda, Spean Bridge Luxembourg S.ar.l, Spean Bridge Luxembourg Investments S.ar.l, Spean Bridge (Taiwan) S.ar.l, Vue Beteiligungs GmbH, CinemaxX Aktiengesellschaft, CinemaxX Cinema GmbH & Co. KG, CinemaxX Entertainment GmbH & Co. KG, CinemaxX Movietainment GmbH, CinemaxX Danmark A/S, CinemaxX Cinetainment GmbH, CinemaxX Entertainment Verwaltungsgesellschaft mbH, CinemaxX Filmtheater GmbH, CinemaxX MaxXtainment GmbH, Silencium Betriebs GmbH, Verwaltung CinemaxX Cinema GmbH, Eudialyte Company Sp. zo.o., Multikino Media Sp.zo.o., SBC Taiwan Limited, SIA Multikino Latvia, UAB Multikino Lietuva and Vue Movie Distribution Sp. zo.o.

The statutory financial year-end of Multikino S.A. is 30 June 2014.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**13 Fixed Asset Investments (continued)**

The details of the Company's subsidiary undertakings as at 28 November 2013 are shown overleaf.

	Country of registration	Nature of Business	Proportion of shares held (ordinary shares)	Capital & Reserves £'000	Profit / (loss) for period £'000
<b>Direct subsidiary undertakings</b>					
Vue Holdings (Jersey) Limited . . . . .	United Kingdom	Holding	100%	(60,778)	(61,966)
<b>Indirect subsidiary undertakings</b>					
Apollo Cinemas Limited . . . . .	United Kingdom	Operating	100%	6,285	1,040
CinemaxX Danmark A/S . . . . .	Denmark	Operating	94%	1,574	1,657
CinemaxX Entertainment GmbH & Co. KG . . . . .	Germany	Operating	97%	1,850	8,283
CinemaxX MaxXtainment GmbH . . . . .	Germany	Operating	73%	1,743	1,754
CinemaxX Movietainment GmbH . . . . .	Germany	Operating	97%	(1,592)	3,256
Multikino Media Sp. z o.o. . . . .	Poland	Operating	100%	(6,879)	194
Multikino S.A. . . . .	Poland	Operating	100%	27,232	(706)
SBC Taiwan Limited . . . . .	Taiwan	Operating	100%	(3,773)	726
SIA Multikino Latvia . . . . .	Latvia	Operating	100%	(337)	73
Spean Bridge Cinemas (Algarve) Lda . . . . .	Portugal	Operating	100%	(3,470)	(381)
Ster Century (UK) Limited . . . . .	United Kingdom	Operating	100%	35,327	(1,855)
UAB Multikino Lietuva . . . . .	Lithuania	Operating	100%	(896)	11
Vue Entertainment Limited . . . . .	United Kingdom	Operating	100%	188,736	20,478
Vue Movie Distribution Sp. z o.o. . . . .	Poland	Operating	100%	31	192
Vue Services Limited . . . . .	United Kingdom	Operating	100%	7,530	295
CinemaxX Aktiengesellschaft . . . . .	Germany	Holding	97%	55,132	726
CinemaxX Cinema GmbH & Co. KG . . . . .	Germany	Holding	97%	56,684	(42)
CinemaxX Cinetainment GmbH . . . . .	Germany	Holding	97%	1,057	2,266
CinemaxX Entertainment Verwaltungsgesellschaft mbH . . . . .	Germany	Holding	97%	21	—
CinemaxX Filmtheater GmbH . . . . .	Germany	Holding	97%	96	134
Eudialyte Company Sp. z o.o. . . . .	Poland	Holding	100%	20,333	(488)
Shake Irish Finco Limited . . . . .	Eire	Holding	100%	48,011	(2)
Shake UK Newco Limited . . . . .	United Kingdom	Holding	100%	82,261	933
Silencium Betriebs GmbH . . . . .	Germany	Holding	97%	(5,220)	(30)
Spean Bridge Luxembourg Investments . . . . .	Luxembourg	Holding	100%	(14,898)	(13)
Spean Bridge Luxembourg S.ar.l . . . . .	Luxembourg	Holding	100%	(279)	(16)
Treganna BIDCO Limited . . . . .	United Kingdom	Holding	100%	(400)	(314)
Verwaltung CinemaxX Cinema GmbH . . . . .	Germany	Holding	97%	3	1
Vue Beteiligungs GmbH . . . . .	Germany	Holding	100%	43,686	(5,470)
Vue Entertainment Holdings (UK) Limited . . . . .	United Kingdom	Holding	100%	100,971	—
A3 Cinemas Limited . . . . .	United Kingdom	Holding	100%	86	—
Aurora Cinema (Ireland) Limited . . . . .	Eire	Holding	100%	18,495	—
Aurora Cinema Limited . . . . .	United Kingdom	Holding	100%	524	—
Aurora Holding Limited . . . . .	United Kingdom	Holding	100%	1,027	—
Spean Bridge (Taiwan) S.ar.l . . . . .	Luxembourg	Holding	100%	(8,155)	(15)
Vue Entertainment (UK) Limited . . . . .	United Kingdom	Holding	100%	5,736	—
Vue Entertainment Holdings Limited . . . . .	United Kingdom	Holding	100%	127,479	—
Vue Entertainment Investment Ltd . . . . .	United Kingdom	Holding	100%	(183,072)	(32,067)
Vue Holdings (UK) Limited . . . . .	United Kingdom	Holding	100%	(58,996)	(28,512)
Spean Bridge Cinemas (Italia) Srl . . . . .	Italy	Inactive	100%	7	—
Vue Booking Services Limited . . . . .	United Kingdom	Inactive	100%	6,534	(5)
Vue Cinemas (UK) Limited . . . . .	United Kingdom	Inactive	100%	12,455	—
Vue Cinemas Limited . . . . .	United Kingdom	Inactive	100%	9,290	—
Vue Properties Limited . . . . .	United Kingdom	Inactive	100%	73,885	—
Vue Theatres (UK) Limited . . . . .	United Kingdom	Inactive	100%	2,046	—
<b>Other group undertakings</b>					
Vue Employee Benefits Trust . . . . .	Jersey	Trust	N/A	(3)	(3)

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**14 Assets Held for Sale**

	Group		Company	
	As at 28 November 2013 £'000	As at 29 November 2012 £'000	As at 28 November 2013 £'000	As at 29 November 2012 £'000
Cinemas held for sale . . . . .	—	2,082	—	—

At 29 November 2012, the Group held five sites for resale at their net book value of £2,082k.

The five sites classified as assets held for sale at 29 November 2012 include four sites sold on 31 January 2013 and one site sold on 16 May 2013.

**15 Employee Benefit Trust**

During the period the Group made a capital contribution of £500 to an Employee Benefit Trust (EBT), registered in Jersey. The EBT has no issued shares and the contribution from the Group is its only source of capital.

**16 Stock**

	Group		Company	
	As at 28 November 2013 £'000	As at 29 November 2012 £'000	As at 28 November 2013 £'000	As at 29 November 2012 £'000
Finished goods and goods for resale . . . . .	2,743	2,717	—	—

**17 Debtors**

	Group		Company	
	As at 28 November 2013 £'000	As at 29 November 2012 £'000	As at 28 November 2013 £'000	As at 29 November 2012 £'000
<b>Amounts falling due within one year:</b>				
Trade debtors . . . . .	11,063	6,757	—	—
Amounts due from group undertakings . . . . .	13,724	—	14,806	—
Intercompany loans receivable . . . . .	—	—	427,314	—
Other debtors . . . . .	5,268	6,341	—	40
Loan notes receivable from subsidiary undertaking . . . . .	—	—	—	120
Prepayments and accrued income . . . . .	22,979	18,614	38	2
	<b>53,034</b>	<b>31,712</b>	<b>442,158</b>	<b>162</b>
<b>Amounts falling due after more than one year:</b>				
Deferred tax (note 24) . . . . .	25,587	16,385	—	—
Preference shares . . . . .	—	—	8,248	—
Preference shares interest receivable . . . . .	—	—	3,256	51
Loan notes receivable from subsidiary undertaking . . . . .	—	—	279,989	—
Intercompany loans receivable . . . . .	—	—	82,569	—
	<b>25,587</b>	<b>16,385</b>	<b>374,062</b>	<b>51</b>
<b>Debtors . . . . .</b>	<b>78,621</b>	<b>48,097</b>	<b>816,220</b>	<b>213</b>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**17 Debtors (continued)**

As at 28 November 2013 the Company had an intercompany loan receivable of £393.9m with Vue Holdings (UK) Limited inclusive of interest which is charged at 9.0% per annum. The loan receivable is repayable on 9 August 2033 or demand if requested. The Company had intercompany loan receivables of £33.4m with Vue Holdings (Jersey) Limited inclusive of interest which is charged at 9% per annum. The loan receivables are repayable on 9 August 2033 or demand if requested. The company had a further intercompany loan receivable of £82.6m with Vue Holdings (Jersey) Limited inclusive of interest which is charged at 8.8425% per annum. The loan receivable is repayable on 26 September 2020.

The Company has loan notes receivable of £280.0m with Vue Holdings (Jersey) Limited, a subsidiary of the Company, inclusive of interest which is charged at 12.0% per annum over the term of the loan notes and is capitalised on an annual basis to increase the value of the loan notes.

The Company has preference shares issued by Vue Holdings (Jersey) Limited. Interest accrues at a rate of 12.0% per annum and is repayable on redemption.

**18 Cash at Bank and in Hand**

	Group		Company	
	As at 28 November 2013 £'000	As at 29 November 2012 £'000	As at 28 November 2013 £'000	As at 29 November 2012 £'000
Cash — unrestricted . . . . .	<b>46,162</b>	58,090	<b>60</b>	—
Cash — restricted . . . . .	<b>8,411</b>	3,843	—	—
Total Cash at bank and in hand . . . . .	<b>54,573</b>	61,933	<b>60</b>	—

Restricted cash of £8,411k includes £3,956k of rental deposits held in relation to some of the Group's cinema sites. The remaining amount of £4,455k relates to amounts held for the purchase of the minority interest in the CinemaxX AG subsidiary (note 38).

**19 Creditors: Amounts Falling Due Within One Year**

	Group		Company	
	28 November 2013 £'000	29 November 2012 £'000	28 November 2013 £'000	29 November 2012 £'000
Trade creditors . . . . .	<b>24,720</b>	18,183	—	—
Amounts owed to group undertakings . . . . .	<b>16,552</b>	—	<b>15,570</b>	152
Other tax and social security . . . . .	<b>1,283</b>	5,971	—	—
Other creditors . . . . .	<b>4,238</b>	3,082	—	—
Group relief payable . . . . .	—	—	<b>402</b>	—
Finance leases . . . . .	<b>1,707</b>	—	—	—
Accruals . . . . .	<b>47,940</b>	46,024	<b>72</b>	81
Corporation tax payable . . . . .	<b>839</b>	529	—	—
Deferred income . . . . .	<b>20,525</b>	17,616	—	—
	<b>117,804</b>	91,405	<b>16,044</b>	233
Loans . . . . .	<b>718,237</b>	168,778	<b>716,254</b>	—
Loans . . . . .	<b>718,237</b>	168,778	<b>716,254</b>	—
	<b>836,041</b>	260,183	<b>732,298</b>	233

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**20 Creditors: Amounts Falling Due After More Than One Year**

	Group		Company	
	As at 28 November 2013 £'000	As at 29 November 2012 £'000	As at 28 November 2013 £'000	As at 29 November 2012 £'000
Preference share interest payable . . . . .	—	2,032	—	—
Deferred income . . . . .	<b>45,333</b>	38,437	—	—
Other creditors . . . . .	<b>1,249</b>	—	—	—
Finance leases . . . . .	<b>4,485</b>	—	—	—
	<b>51,067</b>	40,469	—	—
Loans . . . . .	<b>83,079</b>	498,220	<b>82,569</b>	—
Loans . . . . .	<b>83,079</b>	498,220	<b>82,569</b>	—
	<b>134,146</b>	538,689	<b>82,569</b>	—

**21 Loan Capital and Borrowings**

	Group		Company	
	As at 28 November 2013 £'000	As at 29 November 2012 £'000	As at 28 November 2013 £'000	As at 29 November 2012 £'000
Revolving Credit Facility . . . . .	<b>1,983</b>	—	—	—
External Loans . . . . .	—	70,811	—	—
Amounts owed to previous shareholders . . . . .	—	97,967	—	—
Shareholder Loans . . . . .	<b>716,254</b>	—	<b>716,254</b>	—
<b>Loans: amounts falling due within one year . . . . .</b>	<b>718,237</b>	168,778	<b>716,254</b>	—
External Loans . . . . .	<b>510</b>	233,691	—	—
Shareholder Loans . . . . .	<b>82,569</b>	—	<b>82,569</b>	—
Loan Notes . . . . .	—	264,529	—	—
<b>Loans: amounts falling due after more than one year . . . . .</b>	<b>83,079</b>	498,220	<b>82,569</b>	—



**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**21 Loan Capital and Borrowings (continued)**

**Movement in loans is analysed as follows:**

	Group As at 28 November 2013 £'000	Company As at 28 November 2013 £'000
At 29 November 2012 . . . . .	666,998	—
Bank Loans received . . . . .	138,529	—
Shareholder Loans issued . . . . .	778,333	778,333
Revolving Credit Facility drawdown . . . . .	1,983	—
Loan notes repaid . . . . .	(264,529)	—
Amounts owed to previous shareholders repaid . . . . .	(97,967)	—
Other loans repaid . . . . .	(6,769)	—
Bank Loans repaid . . . . .	(455,342)	—
	<u>761,236</u>	<u>778,333</u>
Amortisation of Capitalised Issue costs . . . . .	12,849	—
Interest accrued in the period . . . . .	20,490	20,490
Foreign exchange movement . . . . .	6,741	—
	<u>801,316</u>	<u>798,823</u>

**Refinancing**

On 18 July 2013 Vougeot Bidco plc, issued senior secured fixed rate sterling denominated notes of £300m with a termination date of 15 July 2020. Interest on the notes is fixed at 7.875% and payable on a semi-annual basis. Additionally senior secured floating rate euro denominated notes of €290m (£252m) were also issued on 18 July 2013 with a termination date of 15 July 2020. Interest on these notes is floating at three month EURIBOR plus a margin of 5.25% and is payable on a quarterly basis.

As a result of the refinancing that took place on 8 August 2013 by Vougeot Bidco plc, the Group repaid the bank loan facilities it held being Facility A, Facility B Tranche I, Facility B Tranche II, Facility B Tranche III, Facility C, Capex Facility and Revolving Facility. As a result the Group no longer has any guarantees or obligations under these facilities.

**Revolving Credit and Overdraft Facility**

On 8 August 2013 Vougeot Bidco plc entered into a £50m multicurrency revolving credit and overdraft facility with Lloyds bank plc. The facility is available until August 2019 and bears interest at LIBOR, EURIBOR, CIBOR or WIBOR depending on the currency drawn down plus a margin of 3.5%. The Group is party to this facility and can make draw downs in line with permitted conditions of utilization. At 28 November 2013 the facility was £2.0m drawn down by the Group.

**Security**

The Company and certain subsidiary undertakings are obligors in relation to both the secured notes and the revolving credit and overdraft facility. As such they have given cross guarantees and share and asset security in support of the financing.

**Shareholder loans due within one year**

Shareholder loans bear interest of 9.0%. They have a termination date of 9 August 2033 or are repayable on demand. All interest is capitalised on an annual basis to increase the value of the loans. At 28 November 2013 accrued interest totalled £19,249k.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**21 Loan Capital and Borrowings (continued)**

**Shareholder loans due after more than one year**

The shareholder loan bears interest of 8.8425% and has a termination date of 26 September 2020. Interest is capitalised on an annual basis to increase the value of the loan. At 28 November 2013 accrued interest totalled £1,241k.

**22 Preference Shares**

	Group As at 28 November 2013 £'000	Group As at 29 November 2012 £'000	Company As at 28 November 2013 £'000	Company As at 29 November 2012 £'000
Cost .....	—	8,248	—	—

The preference shares were issued by Vue Holdings (Jersey) Limited, a subsidiary of the Company. The preference shares were acquired by the Company as part of the acquisition by Vougeot Bidco plc on 8 August 2013 (note 17).

**23 Provision for Liabilities**

	Group	
	As at 28 November 2013 £'000	As at 29 November 2012 £'000
Provision at beginning of period .....	37,884	36,064
Onerous lease provision acquired .....	—	2,281
Charge to the profit and loss account .....	5,827	569
Utilised during the period .....	(5,547)	(4,105)
Unwinding of discount factor on onerous leases (note 8) .....	3,205	3,075
Foreign exchange movement .....	(251)	—
<b>Provision at the end of the period .....</b>	<b>41,118</b>	<b>37,884</b>

At 28 November 2013, a full review of the onerous lease provision was carried out. £4.8m (2012: £3.8m) of the above provision relate to amounts falling due within one year.

**Company**

The Company had no provision for liabilities at 28 November 2013 (2012: £nil)

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**24 Deferred Taxation**

The deferred tax asset shown in the balance sheet comprises:

	<b>Group</b>		<b>Company</b>	
	<b>As at 28 November 2013 £'000</b>	<b>As at 29 November 2012 £'000</b>	<b>As at 28 November 2013 £'000</b>	<b>As at 29 November 2012 £'000</b>
Recognised at start of period . . . . .	<b>16,385</b>	1,158	—	—
Deferred tax acquired . . . . .	<b>8,566</b>	16,403	—	—
Transfers to translation reserve . . . . .	<b>(614)</b>	429	—	—
Charge/(credit) to profit and loss account (note 9) . . . . .	<b>1,250</b>	(1,605)	—	—
<b>Recognised at end of period . . . . .</b>	<b><u>25,587</u></b>	<b><u>16,385</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>Analysis of timing differences</b>				
Depreciation in excess of capital allowances . .	<b>2,524</b>	1,450	—	—
Tax loss carried forward . . . . .	<b>23,048</b>	14,925	—	—
Other timing differences . . . . .	<b>15</b>	10	—	—
	<b><u>25,587</u></b>	<b><u>16,385</u></b>	<b><u>—</u></b>	<b><u>—</u></b>

**25 Called Up Share Capital**

	<b>Shares £'000</b>	<b>Share premium £'000</b>	<b>Total £'000</b>
<b>Allotted, issued and fully paid</b>			
Issued: 2,000,000 A Ordinary shares of £0.001 . . . . .	2	1,998	2,000
Issued: 460,000 B1 Ordinary shares of £0.001 . . . . .	1	459	460
Issued: 441,177 C Ordinary shares £0,001 . . . . .	—	—	—
At 29 November 2012 . . . . .	3	2,457	2,460
Issued during period: 40,000 B1 Ordinary shares of £0.001 . . . . .	—	3,909	3,909
<b>At 28 November 2013 . . . . .</b>	<b><u>3</u></b>	<b><u>6,366</u></b>	<b><u>6,369</u></b>

**26 Share-based Payments**

During the period, Vougeot Holdco Limited implemented an equity-settled share-based incentive plan for certain management employees of the Group. The plan granted 1,000,000 'D' Ordinary shares. Subject to the relevant employee still being employed by the Group these shares vest as follows, either a) upon grant, b) over a three year period or c) immediately upon a trade sale or listing of the Vougeot Holdco Group, of which the Company is a member.

**27 Reserves**

	<b>Group Profit and Loss account £'000</b>	<b>Company Profit and Loss account £'000</b>
At 29 November 2012 . . . . .	<b>(73,996)</b>	<b>(116)</b>
Loss for the financial period . . . . .	<b>(70,413)</b>	<b>(2,476)</b>
Translation movement . . . . .	<b>(5,170)</b>	<b>—</b>
<b>At 28 November 2013 . . . . .</b>	<b><u>(149,579)</u></b>	<b><u>(2,592)</u></b>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**28 Capital Commitments**

At the end of the period, the Group had capital commitments as follows:

	As at 28 November 2013 £'000	As at 29 November 2012 £'000
Contracted . . . . .	<u>10,257</u>	<u>20,356</u>

**Company**

At 28 November 2013, the Company had no capital commitments (2012: £nil).

**29 Contingent Liabilities**

The Company and Group did not have any contingent liabilities as at 28 November 2013 (2012: £nil).

**30 Commitments under Finance Leases**

	As at 28 November 2013 £'000	As at 29 November 2012 £'000
<b>Finance lease rentals due:</b>		
Within one year . . . . .	1,707	51
In two to five years . . . . .	4,686	36
Over five years . . . . .	479	—
Less interest . . . . .	<u>(680)</u>	<u>—</u>
	<u>6,192</u>	<u>87</u>

**31 Commitments under Operating Leases**

The Group had the following annual commitments under non-cancellable operating leases

	Land & Buildings		Other	
	As at 28 November 2013 £'000	As at 29 November 2012 £'000	As at 28 November 2013 £'000	As at 29 November 2012 £'000
<b>Operating leases which expire:</b>				
Within one year . . . . .	940	671	64	6
In two to five years . . . . .	9,254	2,893	199	352
Over five years . . . . .	97,446	82,316	—	489
	<u>107,640</u>	<u>85,880</u>	<u>263</u>	<u>847</u>

At 28 November 2013, the Company had no financial commitments under non-cancellable operating leases (2012: £nil).

**32 Pensions**

The Group operates a defined contribution scheme in the form of a Group Personal Pension Plan for its employees. The assets of the plan are held separately from those of the Group in an independently administered fund. Contributions to the fund made by employees are matched by equal contributions to the fund from the Group. Contributions payable by the Group to the fund in respect of the period ended 28 November 2013 amounted to £241k (2012: £241k). At 28 November 2013, there were outstanding contributions of £75k (2012: £46k) included within creditors.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**33 Reconciliation of Operating Profit to Net Cash Inflow**

	Period ended 28 November 2013 £'000	Period ended 29 November 2012 £'000
<b>Operating profit</b> . . . . .	<b>16,857</b>	18,033
Depreciation of fixed assets . . . . .	<b>35,458</b>	30,201
Impairment of fixed assets . . . . .	<b>4,000</b>	—
Amortisation of goodwill . . . . .	<b>20,021</b>	16,069
Non cash operating items . . . . .	<b>(2,291)</b>	(4,768)
Decrease/(increase) in stock . . . . .	<b>228</b>	(811)
Increase in debtors . . . . .	<b>(3,657)</b>	(7,013)
(Decrease)/increase in creditors . . . . .	<b>(17,537)</b>	10,329
<b>Net cash inflow</b> . . . . .	<b><u>53,079</u></b>	<b><u>62,040</u></b>

**34 Reconciliation of Net Cash Inflow to Movement in Net Debt**

	Period ended 28 November 2013 £'000	Period ended 29 November 2012 £'000
(Decrease)/increase in cash in the financial period . . . . .	<b>(9,324)</b>	43,930
Cash outflow/(inflow) from loans (repaid)/issued to previous shareholders . .	<b>97,967</b>	(96,164)
Cash inflow from shareholder loans issued . . . . .	<b>(777,938)</b>	—
Cash inflow from bank loans received . . . . .	<b>(140,506)</b>	(67,389)
Cash outflow from bank loans repaid . . . . .	<b>481,232</b>	8,133
Cash outflow from preference shares interest paid . . . . .	<b>2,881</b>	—
Cash outflow from other loans repaid . . . . .	<b>6,988</b>	433
Cash outflow from Loan Notes repaid . . . . .	<b>286,381</b>	4,690
Cash outflow from issue costs paid . . . . .	<b>6,001</b>	3,557
Change in net debt resulting from cash flows . . . . .	<b>(46,318)</b>	(102,810)
Amortisation of issue costs . . . . .	<b>(18,850)</b>	(2,402)
Other non cash movement . . . . .	<b>(3)</b>	—
Bank loans and other borrowings acquired on acquisition . . . . .	<b>(32,090)</b>	(7,352)
Foreign exchange movement . . . . .	<b>(7,140)</b>	(872)
Issue of debt including rolled up interest . . . . .	<b>(41,400)</b>	(31,536)
Movement in debt . . . . .	<b>(145,801)</b>	(144,972)
Net debt at beginning of period . . . . .	<b>(607,096)</b>	(462,124)
Net debt at end of period . . . . .	<b><u>(752,897)</u></b>	<b><u>(607,096)</u></b>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**35 Analysis of Changes in Net Debt**

	As at 29 November 2012 £'000	Cash flow £'000	Acquisitions £'000	Non cash movement £'000	Foreign exchange £'000	As at 28 November 2013 £'000
Cash in hand and at bank . . . . .	61,933	(9,324)	—	—	1,964	<b>54,573</b>
Other loans . . . . .	(7,277)	6,988	(6,411)	—	36	<b>(6,664)</b>
Preference share interest accrued . . . . .	(2,032)	2,881	—	(849)	—	—
Shareholder loans . . . . .	(97,967)	(679,971)	—	(18,697)	(2,188)	<b>(798,823)</b>
Loan notes & interest . . . . .	(264,529)	286,381	—	(21,852)	—	—
Bank loans (net of issue costs) . . . . .	(297,224)	346,727	(25,679)	(18,855)	(6,952)	<b>(1,983)</b>
	<u>(607,096)</u>	<u>(46,318)</u>	<u>(32,090)</u>	<u>(60,253)</u>	<u>(7,140)</u>	<b><u>(752,897)</u></b>

Non cash movement comprises amortisation of issue costs of £18.9m and accrued interest on preference shares, shareholder loans and loan notes of £41.4m.

**36 Acquisition of Multikino S.A.**

On 30 September 2013 the Group acquired 100% of the share capital of Multikino S.A., a leading multiplex cinema operator in Poland, Latvia and Lithuania.

The Group believes that the carrying value of the underlying assets and liabilities on acquisition, after revaluations and accounting policy alignments are the current fair value and these are reflected below.

	Book value prior to acquisition £'000	Revaluations £'000	Accounting policy alignment £'000	Fair value to the Group £'000
Intangible fixed assets . . . . .	247	(247)	—	—
Tangible fixed assets . . . . .	86,036	(25,762)	6,849	67,123
Stock . . . . .	3,315	(3,064)	—	251
Debtors . . . . .	5,907	—	—	5,907
Overdraft . . . . .	(11,475)	—	—	(11,475)
Creditors . . . . .	(16,158)	(3,294)	—	(19,452)
Deferred income . . . . .	(959)	—	(5,834)	(6,793)
Borrowings . . . . .	(25,679)	—	—	(25,679)
Finance leases . . . . .	(6,411)	—	—	(6,411)
Deferred taxation . . . . .	2,799	5,960	(193)	8,566
<b>Net assets acquired . . . . .</b>	<b><u>37,622</u></b>	<b><u>(26,407)</u></b>	<b><u>822</u></b>	<b><u>12,037</u></b>
<b>Consideration satisfied by:</b>				
Cash consideration . . . . .	—	—	—	43,932
Total consideration . . . . .	—	—	—	43,932
<b>Goodwill . . . . .</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>31,895</u></b>

The revaluation adjustments reflect management's view of the fair values of the acquired assets and liabilities and relate to the carrying values of a trademark, land and buildings, programming stock and deferred tax and the valuation of certain liabilities associated with previous financing arrangements, an environmental levy, value added tax and commitments to acquire programming rights, together with the associated impact on deferred tax of recognising the above adjustments.



**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 28 November 2013**

**36 Acquisition of Multikino S.A. (continued)**

The alignment of accounting policy relates to the treatment of lease incentives, which are recognised as deferred income and amortised over the shorter of the period to the next rent review date or over the remaining term of the lease.

From the start of its latest financial year on 1 January 2013, to the date of acquisition, Multikino S.A. recorded the following results in its management accounts. The PLN/£GBP year end exchange rate was 5.043.

	<b>PLN '000</b>
Turnover . . . . .	237,145
Operating profit . . . . .	7,944
Impairment of goodwill and tangible fixed assets . . . . .	(111,464)
Interest . . . . .	(15,241)
Loss on ordinary activities before taxation . . . . .	(118,761)
Taxation . . . . .	3,283
<b>Retained loss for the period . . . . .</b>	<b><u>(115,478)</u></b>

The retained loss of PLN 115,478k (£23,400k) was the total recognised loss for the period.

For the previous financial year, ending on 31 December 2012, Multikino S.A. reported a profit after tax of 4,778k PLN.

**37 Related parties**

The Group entered into a management services agreement with Vougeot Bidco plc as the service provider. The agreement is to provide business and consultancy services to the Group. Fees are charged at relevant costs for providing the services plus a 10% mark-up. During the period fees of £670k were charged, of which all were outstanding as 28 November 2013.

**38 Post Balance Sheet Events**

Subsequent to the balance sheet date an agreement was reached to acquire the remaining 2.52% of the shares in CinemaxX AG that were not owned by the Group. The purchase was made by Vue Beteiligungs GmbH, a subsidiary of the Group, for an amount of €5,967k. Following the acquisition of the shares, CinemaxX AG is now fully delisted from all stock exchanges and has been converted to a GmbH.

**39 Ultimate Parent Undertaking**

At 28 November 2013, the immediate parent undertaking of Vue Entertainment International Limited is Vougeot Bidco plc.

This set of financial statements, with the Company as parent undertaking, is the smallest group of undertakings for which consolidated group financial statements are drawn up and publicly available of which the Company is a member.

At 28 November 2013, Vougeot Holdco Limited, a company incorporated in Jersey, is the parent undertaking of the largest group in which the results of the Company are consolidated. The consolidated financial statements of Vougeot Holdco Limited are publically available and may be obtained from Vougeot Holdco Limited, Ogier House, The Esplanade, St. Helier, Jersey JE4 9WG.

At 28 November 2013, the ultimate controlling parties are considered by the directors to be OPE Vougeot Holdings Ltd, PE12GV (Artist) Ltd. and PE12PX (Artist) Ltd., investment vehicles for OMERS Administration Corporation, OCP Trust and Her Majesty the Queen in right of Alberta.

# **Vue Entertainment International Limited**

**Financial Statements for the Period to 29 November 2012**

**(Registered Number 00106780)**

## **Independent Auditors' Report to the Members of Vue Entertainment Investment Limited**

We have audited the Group and Parent Company financial statements of Vue Entertainment International Limited for the 53 weeks ended 29 November 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Statement of Group Shareholders' Deficit and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on pages 11 and 12 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 29 November 2012 and of the Group's loss and cash flows for the period then ended;
- have been properly prepared in accordance United Kingdom Accounting Standards; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

### **Opinion on other matter**

In our opinion the information given in the Directors' Report for the financial period for which financial statements are prepared is consistent with the financial statements.

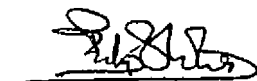
### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Parent Company; or

**Independent Auditors' Report to the Members of  
Vue Entertainment Investment Limited — (continued)**

- the Parent Company financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.



Philip Stokes  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants  
London

10 May 2013

**Vue Entertainment International Limited**  
**Consolidated Profit and Loss Account**  
**for the period ended 29 November 2012**

	<b>Notes</b>	<b>Period ended 29 November 2012 £'000</b>	<b>Period ended 24 November 2011 £'000</b>
<b>Turnover</b>			
Continuing operations:			
Existing		<b>309,684</b>	281,088
Acquisitions			
— CinemaxX AG		<b>59,423</b>	—
— Apollo Cinemas Limited		<b>11,573</b>	—
<b>Turnover</b>	2	<b>380,680</b>	281,088
Cost of sales		<b>(141,165)</b>	(99,874)
<b>Gross profit</b>		<b>239,515</b>	181,214
Administrative expenses		<b>(221,621)</b>	(166,385)
<b>Group operating profit</b>			
Continuing operations:			
Existing		<b>13,001</b>	14,829
Acquisitions			
— CinemaxX AG		<b>4,203</b>	—
— Apollo Cinemas Limited		<b>690</b>	—
<b>Group operating profit</b>	3,4	<b>17,894</b>	14,829
Profit on disposal of fixed assets	5	<b>139</b>	411
Interest receivable and similar income	7	<b>124</b>	86
Interest payable and similar charges	8	<b>(56,790)</b>	(46,110)
<b>Loss on ordinary activities before taxation</b>		<b>(38,633)</b>	(30,784)
Tax charge on loss on ordinary activities	9	<b>(2,616)</b>	(2,646)
<b>Loss on ordinary activities after taxation</b>		<b>(41,249)</b>	(33,430)
Minority interests		<b>(175)</b>	—
<b>Loss for the financial period</b>	23	<b>(41,424)</b>	(33,430)

There is no difference between the loss on ordinary activities before taxation and the loss for the period stated above and their historical cost equivalents.

The notes on pages F-133 to F-154 form an integral part of these financial statements.

**Vue Entertainment International Limited**  
**Consolidated Balance Sheet**  
**as at 29 November 2012**

	Notes	As at 29 November 2012 £'000	As at 24 November 2011 £'000
<b>Fixed assets</b>			
Intangible assets . . . . .	11	<b>361,109</b>	276,003
Tangible assets . . . . .	12	<b>300,137</b>	262,749
		<b>661,246</b>	538,752
<b>Current assets</b>			
Assets held for sale . . . . .	14	<b>2,082</b>	—
Stock . . . . .	15	<b>2,717</b>	1,475
Debtors: amounts falling due within one year . . . . .	16	<b>31,712</b>	17,729
Debtors: amounts falling due after more than one year . . . . .	16	<b>16,385</b>	1,158
Cash at bank and in hand . . . . .		<b>61,933</b>	18,003
		<b>114,829</b>	38,365
<b>Creditors: amounts falling due within one year</b>			
Loans (Senior debt net of bank fees) . . . . .	17	<b>(70,811)</b>	(6,832)
Other creditors . . . . .	17	<b>(189,372)</b>	(49,221)
		<b>(260,183)</b>	(56,053)
<b>Net current liabilities</b> . . . . .		<b>(145,354)</b>	(17,688)
<b>Total assets less current liabilities</b> . . . . .		<b>515,892</b>	521,064
<b>Financed by:</b>			
Creditors: amounts falling due after more than one year . . . . .	18	<b>538,689</b>	508,022
Provision for liabilities . . . . .	19	<b>37,884</b>	36,064
Preference shares . . . . .	20	<b>8,248</b>	8,248
<b>Capital and reserves</b>			
Called up share capital . . . . .	22	<b>2</b>	2
Share premium . . . . .	22	<b>2,458</b>	2,458
Profit and loss account . . . . .	23	<b>(73,996)</b>	(33,730)
<b>Total shareholders' deficit</b> . . . . .	24	<b>(71,536)</b>	(31,270)
Minority interests . . . . .		<b>2,607</b>	—
<b>Capital employed</b> . . . . .		<b>515,892</b>	521,064

The notes on pages F-133 to F-154 form an integral part of these financial statements.

Approved by the Board of Directors and signed on its behalf by:



Alan McNair  
Director  
10 May 2013



**Vue Entertainment International Limited**  
**Company Balance Sheet**  
**as at 29 November 2012**

	<b>Notes</b>	<b>As at 29 November 2012 £'000</b>	<b>As at 24 November 2011 £'000</b>
<b>Fixed assets</b>			
Fixed asset investments . . . . .	13	<b>2,364</b>	2,364
		<b>2,364</b>	2,364
<b>Current assets</b>			
Debtors: amounts falling due within one year . . . . .	16	<b>162</b>	111
Debtors: amounts falling due after more than one year . . . . .	16	<b>51</b>	23
Cash . . . . .		<b>—</b>	4,690
		<b>213</b>	4,824
Creditors: amounts falling due within one year . . . . .	17	<b>(233)</b>	(60)
<b>Net current (liabilities)/assets</b> . . . . .		<b>(20)</b>	4,764
<b>Total assets less current liabilities</b> . . . . .		<b>2,344</b>	7,128
<b>Financed by:</b>			
Creditors: amounts falling due after more than one year . . . . .	18	<b>—</b>	4,690
<b>Capital and reserves</b>			
Called up share capital . . . . .	22	<b>2</b>	2
Share premium . . . . .	22	<b>2,458</b>	2,458
Profit and loss account . . . . .	23	<b>(116)</b>	(22)
<b>Total shareholders' funds</b> . . . . .	24	<b>2,344</b>	2,438
		<b>2,344</b>	7,128

The notes on pages F-133 to F-154 form an integral part of these financial statements.

Approved by the Board of Directors and signed on its behalf by:



Alan McNair  
Director  
10 May 2013

**Vue Entertainment International Limited**  
**Consolidated Cash Flow Statement**  
**for the period ended 29 November 2012**

	Notes	Period ended 29 November 2012 £'000	Period ended 24 November 2011 £'000
<b>Operating activities</b>			
Net cash inflow from operating activities . . . . .	29	<b>62,040</b>	30,731
<b>Return on investments and servicing of finance</b>			
Interest received . . . . .		140	86
Interest paid . . . . .		<b>(24,160)</b>	(11,197)
<b>Net cash outflow from returns on investments and servicing of finance</b> . . . . .		<b>(24,020)</b>	(11,111)
Taxation (paid)/received . . . . .		<b>(1,538)</b>	366
<b>Cash outflow for capital expenditure and other financial investments</b>			
Payments to acquire tangible assets . . . . .		<b>(23,008)</b>	(16,219)
Landlord contributions received . . . . .		1,300	8,200
Proceeds from disposal of tangible assets . . . . .		1,515	1,653
Investment in subsidiaries . . . . .		<b>(148,589)</b>	(459,460)
Cash balance acquired on acquisition . . . . .		29,490	—
		<hr/>	<hr/>
<b>Net cash outflow from capital expenditure and other financial investments</b> . . . . .		<b>(139,292)</b>	(465,826)
<b>Net cash outflow before financing activities</b> . . . . .		<b>(102,810)</b>	(445,840)
<b>Financing activities</b>			
Bank loans (net of bank fees) . . . . .		55,699	236,193
Repayment of other loans . . . . .		<b>(433)</b>	—
(Repayment of)/issue of loan notes . . . . .		<b>(4,690)</b>	216,942
Issue of preference shares . . . . .		—	8,248
Issue of ordinary shares . . . . .		—	2,460
Amounts owed to shareholders . . . . .		96,164	—
<b>Net cash inflow from financing activities</b> . . . . .		<b>146,740</b>	463,843
<b>Increase in cash</b> . . . . .	30	<b>43,930</b>	18,003

The notes on pages F-133 to F-154 form an integral part of these financial statements.

**Vue Entertainment International Limited**  
**Consolidated Statement of Total Recognised Gains and Losses**  
**for the period ended 29 November 2012**

	Period ended 29 November 2012 £'000	Period ended 24 November 2011 £'000
Loss for the financial period . . . . .	<b>(41,424)</b>	(33,430)
Foreign exchange movement . . . . .	<b>1,158</b>	(300)
Total recognised losses relating to the financial period . . . . .	<b><u>(40,266)</u></b>	<b><u>(33,730)</u></b>

**Consolidated Statement of Group Shareholders' Deficit**  
**for the period ended 29 November 2012**

	Period ended 29 November 2012 £'000	Period ended 24 November 2011 £'000
Loss for the financial period . . . . .	<b>(41,424)</b>	(33,430)
Foreign exchange movement . . . . .	<b>1,158</b>	(300)
Movement for the financial period . . . . .	<b>(40,266)</b>	(33,730)
Opening shareholders' deficit . . . . .	<b>(33,730)</b>	—
<b>Closing shareholders' deficit . . . . .</b>	<b><u>(73,996)</u></b>	<b><u>(33,730)</u></b>

The notes on pages F-133 to F-154 form an integral part of these financial statements.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements**  
**for the period ended 29 November 2012**

**1 Accounting Policies**

**a) Basis of preparation**

These financial statements have been prepared under the historical cost convention in accordance with the Companies (Jersey) Law 1991 and applicable accounting standards in the United Kingdom. A summary of the more important Group accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the period.

The financial statements have been prepared on a going concern basis. The directors deemed it appropriate to prepare the accounts on a going concern basis having given due regard to the trading results and capital structure of the Group. In particular the working capital requirements of the Group are met by the Group's available cash balance combined with the revolving credit facility provided under the Senior Debt Agreements with Vue Holdings (UK) Limited, a subsidiary undertaking of the Company, signed on 7 November 2010. The Group has also provided that funds are available for planned capital expenditures by way of a facility with a final draw down date of 21 December 2013 (extended to December 2016 under the refinancing — see note 35). The longer term finance of the Group is provided under an A and B loan structure with maturities of 6 and 7 years respectively. Further finance is provided by subordinated shareholder funding with maturity dates on the earlier of 31 December 2020 or an 'exit event'. As a result Vue Entertainment International Limited directors believe that the Company and all its current subsidiaries will, for the foreseeable future, be able to continue trading and meet all their liabilities as they fall due. In December 2012 the Company entered into new senior debt arrangements (see note 35).

There is no material difference between the fair value of financial assets and liabilities and their carrying amount.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Further details regarding areas requiring significant assumptions and estimates are provided in the accounting policies below and in the relevant note to the financial statements where applicable.

**b) Accounting reference date**

The Company prepares financial statements for either 52 or 53 week periods ending on a Thursday within one week of 30 November. The results of the current period refer to the 53 weeks ended 29 November 2012. The comparative results refer to the 56 week period from 26 October 2010 (date of incorporation) to 24 November 2011.

**c) Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings as listed in note 13. The elimination of group transactions occurs on consolidation.

**d) Acquisitions**

Treganna Bidco Limited was incorporated on 1 May 2012 as a holding company to acquire Apollo Cinemas Limited. On 10 May 2012 Treganna Bidco Limited acquired 100% of the share capital in Apollo Cinemas Limited.

From 30 March 2012, the first day of Apollo Cinemas Limited's latest financial year, to 10 May 2012 Apollo Cinemas Limited had turnover of £2,784k and an operating loss of £346k; loss before taxation was £389k and taxation credit £713k. The loss after tax for Apollo Cinemas Limited for the year ended

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**1 Accounting Policies (continued)**

29 March 2012 was £5,372k. There is no difference between the profit after tax and the recognised gains and losses for the period.

Vue Beteiligungs AG was incorporated on 23 March 2012 as a holding company to acquire CinemaxX AG. On 10 July 2012 Vue Beteiligungs AG announced its intention to launch a voluntary public takeover offer for all outstanding shares of CinemaxX AG, a group listed on the Frankfurt and Hamburg Stock Exchanges. On 7 August 2012, Vue Beteiligungs AG acquired 91.34% of the share capital of CinemaxX AG as a result of this public offer. As at the Company's financial period end, 95.15% of all shares in CinemaxX AG had been acquired.

From 1 January 2012, the first day of CinemaxX AG's latest financial year, to 7 August 2012, the effective date of acquisition, CinemaxX AG had turnover of €117,416k and an operating profit of €10,788k, profit before taxation was €6,331k and taxation €4,949k. The profit after tax for CinemaxX AG for the year ended 31 December 2011 was €18,778k. There is no difference between the profit after tax and the recognised gains and losses for the period.

The identifiable assets and liabilities of the company acquired are included in the consolidated balance sheet at their fair value at the date of acquisition, and its results included in the profit and loss account from the date of the acquisition. The difference between the fair value of the consideration given and the fair values of the net assets of the entity acquired is accounted for as goodwill.

**e) Company profit and loss**

The profit and loss account of the Company is not presented as a part of these financial statements.

**f) Revenue recognition**

Revenue is reported net of value added tax and comprises primarily ticket and concession sales and screen advertising income. Revenue from ticket sales is reported in the period in which the film is shown. Income from screen advertising guaranteed income is recognised evenly over the period to which they relate. Other screen advertising income is recognised as generated. Concession revenue is recognised at the time of sale.

**g) Depreciation**

Depreciation is provided on all tangible fixed assets in use during the period. The rates used are calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life at the following annual rates:

Short leasehold land and buildings	— 25 years (or length of the lease, if shorter)
Other cinema site assets	— 15 years (or length of the lease, if shorter)
Equipment	— 3 – 20 years

The annual rate of depreciation on equipment now reflects rates used in CinemaxX AG. The rate within the existing business is 3–10 years in line with the prior year.

Where fixed assets have been revalued these amounts are being depreciated over the shorter of the lease term or 20 years.

**h) Impairment of fixed assets**

The need for any fixed asset impairment provision is assessed by comparison of the carrying value of an income generating unit, which normally comprises the portfolio of sites that operate within a market place, against a value in use or net realisable value that is lower than the net book value. The value in use has been calculated using a discounted cash flow methodology in accordance with applicable Financial Reporting Standards.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**1 Accounting Policies (continued)**

The discounting rate used in assessing the value in use of the assets is the estimated weighted average cost of capital employed by the Group, adjusted as necessary for any particular risks of the subsidiary being reviewed. The weighted average cost of capital employed by the Group has been calculated as the weighted average of the internal rate of return applied in the equity funding and the Group's bank debt interest rate.

**i) Intangible assets**

Goodwill is the difference between the aggregate of the fair value of those separately identifiable assets and liabilities acquired and the fair value of the purchase consideration.

Goodwill is capitalised and amortised over its useful life, which in the opinion of the directors is 20 years. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

**j) Fixed asset investments**

Investments are stated at cost less provision for impairment. Investments in subsidiaries are reviewed annually for possible impairment.

**k) Stock**

Stock is valued at the lower of cost and net realisable value after making due allowance for any obsolete items.

**l) Pensions**

Pension contributions (which are made to a defined contribution Group Personal Pension Plan) are charged to the profit and loss account as incurred. These contributions are invested separately from the Group's assets.

**m) Operating lease arrangements**

Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term. Lease incentives are amortised over the shorter of the period to the next rent review date or over the remaining term of the lease.

**n) Finance lease arrangements**

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future installments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future installments.

**o) Current and deferred taxation**

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantially enacted at the balance sheet date, together with any adjustment in respect of tax payable for previous periods.



**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**1 Accounting Policies (continued)**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**p) Translation of foreign currencies**

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions; monetary assets and liabilities at the balance sheet date are translated at the period end rate of exchange. All exchange differences arising are reported as part of the profit or loss for the period.

In respect of the Company's subsidiaries, profit and loss accounts in currencies other than sterling are translated into sterling at average exchange rates. Balance sheets are translated into sterling at the rates ruling at the period end. Exchange differences arising on consolidation are taken directly to reserves.

**q) Pre-opening and initial site development expenses**

In accordance with accounting pronouncement Urgent Issues Task Force ("UITF") Abstract 24 — "Accounting for Start up Costs", pre-opening costs are written off in the period in which they are incurred.

Expenditure of a capital nature, as set out in Financial Reporting Standard ("FRS") 15 — "Tangible Fixed Assets", is capitalised from the date at which the Board approves the development of the cinema site.

**r) Financial instruments**

As part of its interest rate management strategy the Group has entered into interest rate swap contracts. The interest received/paid on these contracts is netted against the interest paid on the loans.

**s) Onerous lease**

Provision is made for onerous leases where it is considered that the unavoidable costs of the lease obligations are in excess of the economic benefits expected to be received by it. The unavoidable costs of the lease reflect the net cost of exiting from the contract and are measured as the lower of the net present value of the cost of continuing to operate the lease and any penalties or other costs of exiting from it.

**t) Related party transactions**

The Company has taken advantage of the exemption contained within FRS 8 — "Related Party Transactions" not to disclose related party transactions with other members of its group of companies, which are wholly owned subsidiaries.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**1 Accounting Policies (continued)**

**u) Minority interests**

Equity minority interests represent the share of the profits less losses on ordinary activities attributable to the interests of equity shareholders in subsidiaries which are not wholly owned by the Group.

**v) Non-current assets held for sale**

Non-current assets held are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of their carrying amount and fair value less costs to sell.

**2 Segmental Information**

Turnover comprises the value of goods and services provided to customers exclusive of value added tax.

	Period ended 29 November 2012 £'000	Period ended 24 November 2011 £'000
<b>Analysis of turnover by geographical market</b>		
United Kingdom . . . . .	<b>303,234</b>	259,940
Continental Europe . . . . .	<b>70,733</b>	14,251
Other . . . . .	<b>6,713</b>	6,897
	<b><u>380,680</u></b>	<b><u>281,088</u></b>

All turnover is derived from external customers in the local geographical market.

	Period ended 29 November 2012 £'000	Period ended 24 November 2011 £'000
<b>(Loss)/profit before taxation</b>		
United Kingdom . . . . .	<b>(41,690)</b>	(31,997)
Continental Europe . . . . .	<b>2,873</b>	1,081
Other . . . . .	<b>184</b>	132
	<b><u>(38,633)</u></b>	<b><u>(30,784)</u></b>
<b>(Net liabilities)/net assets</b>		
United Kingdom . . . . .	<b>(151,383)</b>	(34,521)
Continental Europe . . . . .	<b>80,275</b>	3,968
Other . . . . .	<b>(428)</b>	(717)
	<b><u>(71,536)</u></b>	<b><u>(31,270)</u></b>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**3 Turnover, cost of sales, gross profit and administration expenses**

	Period ended			Period ended
	Period ended 29 November 2012			24 November 2011
	Continuing £'000	Acquisitions £'000	Total £'000	Total £'000
<b>Turnover</b> . . . . .	<b>309,684</b>	<b>70,996</b>	<b>380,680</b>	281,088
Cost of sales . . . . .	<b>(112,859)</b>	<b>(28,306)</b>	<b>(141,165)</b>	(99,874)
<b>Gross profit</b> . . . . .	<b>196,825</b>	<b>42,690</b>	<b>239,515</b>	181,214
Administrative expenses . . . . .	<b>(183,824)</b>	<b>(37,797)</b>	<b>(221,621)</b>	(166,385)
<b>Group operating profit</b> . . . . .	<b>13,001</b>	<b>4,893</b>	<b>17,894</b>	14,829

All results in the prior year refer to continuing operations only.

**4 Operating Profit**

	Period ended 29 November 2012 £'000	Period ended 24 November 2011 £'000
Operating Profit is stated after charging:		
Fees payable to the Company's auditor for the audit of the Group and Company's annual financial statements . . . . .	<b>80</b>	80
— Other services: Fees payable to the Company's auditor for auditing of financial statements of associates of the company pursuant to legislation . . . . .	<b>85</b>	77
— Other services: Fees payable to unassociated auditors . . . . .	<b>131</b>	—
— Fees relating to corporate finance transactions . . . . .	—	944
— All other services . . . . .	<b>58</b>	—
Depreciation on tangible fixed assets (note 12) . . . . .	<b>30,201</b>	24,907
Realised foreign exchange loss . . . . .	<b>5</b>	1
Provision for liabilities (note 19) . . . . .	<b>569</b>	2,086
Impairment of assets held for sale . . . . .	<b>332</b>	—
Goodwill amortised (note 11) . . . . .	<b>16,069</b>	13,441
Rentals under operating leases on plant and machinery . . . . .	<b>67,812</b>	49,235
Rentals under operating leases on other . . . . .	<b>1,401</b>	—
Pre-opening expenses . . . . .	<b>106</b>	76

Fees payable for the audit of the Company: £1,000 (2011: £1,000).

**5 Profit on Disposal of Fixed Assets**

	Period ended 29 November 2012 £'000	Period ended 24 November 2011 £'000
Profit on disposal of fixed assets . . . . .	<b>139</b>	411

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**6 Staff Costs**

	Period ended 29 November 2012 £'000	Period ended 24 November 2011 £'000
Wages and salaries . . . . .	44,613	34,056
Social security costs . . . . .	3,295	1,966
Other pension costs . . . . .	241	154
	<u>48,149</u>	<u>36,176</u>

The average monthly number of employees during the period was made up as follows:

	Period ended 29 November 2012	Period ended 24 November 2011
Cinema . . . . .	3,797	3,156
Administration . . . . .	143	111
	<u>3,940</u>	<u>3,267</u>

The Executive Directors of the Company are remunerated by a subsidiary undertaking, Vue Services Limited, in respect of their services to both the Company and the Group. Non-executive directors are not employed by the Company or Group.

	Period ended 29 November 2012 £'000	Period ended 24 November 2011 £'000
Aggregate emoluments, including benefits in kind . . . . .	2,176	2,083
Defined contribution scheme — Company contributions . . . . .	29	48
	<u>2,205</u>	<u>2,131</u>

	Period ended 29 November 2012 £'000	Period ended 24 November 2011 £'000
<b>Highest paid director</b>		
Aggregate emoluments, including benefits in kind . . . . .	715	916
Defined contribution scheme — Company contributions . . . . .	21	12
	<u>736</u>	<u>928</u>

Retirement benefits are accruing to three directors under a defined contribution scheme.

**7 Interest Receivable and Similar Income**

	Period ended 29 November 2012 £'000	Period ended 24 November 2011 £'000
Bank interest . . . . .	64	79
Other interest . . . . .	60	7
	<u>124</u>	<u>86</u>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**8 Interest Payable and Similar Charges**

	Period ended 29 November 2012 £'000	Period ended 24 November 2011 £'000
<b>Interest and similar charges</b>		
Bank loans and overdrafts . . . . .	<b>16,958</b>	15,040
Other interest . . . . .	<b>2,821</b>	1,029
Amortisation of issue costs of bank loans . . . . .	<b>2,402</b>	2,113
Unwinding of discount factor on onerous lease . . . . .	<b>3,075</b>	3,353
Shareholder loans and preference share interest — rolled up interest . . . . .	<b>31,534</b>	24,575
	<b><u>56,790</u></b>	<b><u>46,110</u></b>

**9 Taxation on Loss on Ordinary Activities**

	Period ended 29 November 2012 £'000	Period ended 24 November 2011 £'000
<b>Analysis of tax for the financial period</b>		
<b>United Kingdom</b>		
Corporation tax at 24.67% (2011: 26.67%) . . . . .	—	323
Double taxation relief . . . . .	—	(323)
Under/(over) provision for prior years . . . . .	<b>79</b>	(673)
Overseas tax incurred . . . . .	<b>932</b>	325
<b>Total current tax charge/(credit) . . . . .</b>	<b><u>1,011</u></b>	<b><u>(348)</u></b>
<b>Deferred tax</b>		
Origination of timing differences — United Kingdom . . . . .	<b>1,605</b>	2,994
<b>Total deferred tax . . . . .</b>	<b><u>1,605</u></b>	<b><u>2,994</u></b>
<b>Taxation on loss on ordinary activities . . . . .</b>	<b><u>2,616</u></b>	<b><u>2,646</u></b>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**9 Taxation on Loss on Ordinary Activities (continued)**

**Factors affecting current tax charge for the financial period**

The effective rate of current tax for the period, based on the UK standard rate of corporation tax is 24.67% (2011: 26.67%). The current tax charge for the period differs (2011: differs) from the tax on profit at the standard rate for the reasons in the reconciliation below:

	Period ended 29 November 2012 £'000	Period ended 24 November 2011 £'000
<b>Analysis of tax charge for the financial period</b>		
<b>Group</b>		
Loss on ordinary activities before tax . . . . .	<b>(38,633)</b>	(30,784)
Loss on ordinary activities multiplied by the effective rate of corporation tax in the UK of 24.67% (2011: 26.67%) . . . . .	<b>(9,531)</b>	(8,211)
<b>Effects of:</b>		
Capital allowances in excess of depreciation . . . . .	<b>(804)</b>	(1,596)
Expenses not deductible for tax purposes . . . . .	<b>11,890</b>	10,626
Utilisation of brought forward losses . . . . .	<b>(1,107)</b>	—
Foreign branch income not subject to UK tax . . . . .	<b>(438)</b>	—
Overseas tax suffered . . . . .	<b>932</b>	—
Tax under/(over) provided in prior periods . . . . .	<b>79</b>	(673)
Other timing differences . . . . .	<b>(10)</b>	(494)
<b>Current tax charge/(credit) for the financial period . . . . .</b>	<b><u>1,011</u></b>	<b><u>(348)</u></b>

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the Group profits for this accounting period are taxed at an effective rate of 24.67%. A further reduction to 23% effective from 1 April 2013 was substantially enacted by Parliament on 3 July 2012 and further changes are proposed to reduce the tax rate to 21% by 1 April 2014.

**10 Loss of the Parent Company**

The profit and loss account of the Company is not presented as a part of these financial statements. The Company's loss for the period ended 29 November 2012 was £94k (2011: £22k).

**11 Intangible Fixed Assets**

	Total Goodwill £'000
<b>Cost</b>	
At 24 November 2011 as previously reported . . . . .	289,444
Additions . . . . .	98,682
Foreign exchange . . . . .	2,493
<b>29 November 2012 . . . . .</b>	<b><u>390,619</u></b>
<b>Accumulated amortisation</b>	
At 24 November 2011 . . . . .	(13,441)
Charged for the period . . . . .	(16,069)
<b>At 29 November 2012 . . . . .</b>	<b><u>(29,510)</u></b>
<b>Net book value at 29 November 2012 . . . . .</b>	<b><u>361,109</u></b>
Net book value at 24 November 2011 . . . . .	<u>276,003</u>

Goodwill is being amortised in equal annual instalments over its estimated economic life of 20 years.



**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**12 Tangible Fixed Assets**

	Freehold Land and Buildings £'000	Short Leasehold Land and Buildings £'000	Furniture Fixture and Equipment £'000	Construction in Progress £'000	Total £'000
<b>Cost</b>					
At 24 November 2011 . . . . .	—	251,761	34,970	300	287,031
Acquisitions . . . . .	936	7,688	32,180	6,174	46,978
Additions . . . . .	—	9,257	11,427	738	21,422
Transfers . . . . .	—	—	5,806	(5,806)	—
Disposals . . . . .	—	—	(2,453)	—	(2,453)
Foreign exchange movement . . . . .	25	(446)	434	157	170
<b>At 29 November 2012 . . . . .</b>	<b>961</b>	<b>268,260</b>	<b>82,364</b>	<b>1,563</b>	<b>353,148</b>
<b>Accumulated Depreciation</b>					
At 24 November 2011 . . . . .	—	16,942	7,340	—	24,282
Charge during period . . . . .	58	19,691	10,452	—	30,201
Disposals . . . . .	—	—	(1,077)	—	(1,077)
Foreign exchange movement . . . . .	—	(279)	(116)	—	(395)
<b>At 29 November 2012 . . . . .</b>	<b>58</b>	<b>36,354</b>	<b>16,599</b>	<b>—</b>	<b>53,011</b>
<b>Net book value at 29 November 2012 . . .</b>	<b>903</b>	<b>231,906</b>	<b>65,765</b>	<b>1,563</b>	<b>300,137</b>
Net book value at 24 November 2011 . . . . .	—	234,819	27,630	300	262,749

The additions for the period include an amount of £1.3m of capital expenditure accrued at 29 November 2012 (2011: £2.9m) relating to expenditure on new sites and other projects.

**Company**

The Company had no tangible fixed assets at 29 November 2012 (2011: £nil).

**Finance lease agreements**

Included within the net book value of £300m is £133k (2011: £nil) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £9k (2011: £nil).

**13 Fixed Asset Investments**

<u>Company</u>	<u>£'000</u>
At 29 November 2012 & at 24 November 2011 . . . . .	<b>2,364</b>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**13 Fixed Asset Investments (continued)**

The details of the Company's subsidiary undertakings as at 29 November 2012 are shown below:

	Country of registration	Nature of Business	Proportion of shares held (ordinary shares)	Capital & Reserves £'000	Profit/(Loss) for year £'000
<b>Direct subsidiary undertakings</b>					
Vue Holdings (Jersey) Ltd . . . . .	Jersey	Holding	100%	11,522	4,675
<b>Indirect subsidiary undertakings</b>					
Vue Holdings (UK) Limited . . . . .	United Kingdom	Holding	100%	(24,664)	(14,954)
Vue Entertainment Investment Ltd . . . . .	United Kingdom	Holding	100%	(151,005)	(31,327)
Treganna Bidco Limited . . . . .	United Kingdom	Holding	100%	(86)	(86)
Vue Beteiligungs AG . . . . .	Germany	Holding	100%	33,503	(2,226)
Vue Booking Services Limited . . . . .	United Kingdom	Operating	100%	6,539	1,904
Vue Services Limited . . . . .	United Kingdom	Operating	100%	7,235	(18)
Vue Entertainment Limited . . . . .	United Kingdom	Operating	100%	168,258	20,563
Spean Bridge Cinemas (Algarve) Lda . . . . .	Portugal	Operating	100%	(3,094)	(428)
SBC Taiwan Limited . . . . .	Taiwan	Operating	100%	(4,458)	184
Ster Century (UK) Limited . . . . .	United Kingdom	Operating	100%	37,004	2,116
Apollo Cinemas Limited . . . . .	United Kingdom	Operating	100%	5,245	418
CinemaxX Aktiengesellschaft . . . . .	Germany	Operating	95%	54,302	(1,122)
CinemaxX Cinema GmbH & Co. KG . . . . .	Germany	Operating	95%	56,762	26
CinemaxX Entertainment GmbH & Co. KG . . . . .	Germany	Operating	95%	(6,057)	4,586
CinemaxX Movietainment GmbH . . . . .	Germany	Operating	95%	(5,025)	1,209
CinemaxX Entertainment Verwaltungsgesellschaft mbH . . . . .	Germany	Operating	95%	21	(1)
Silencium Betriebs GmbH . . . . .	Germany	Operating	95%	(5,190)	(1)
CinemaxX Filmtheater GmbH . . . . .	Germany	Operating	95%	(1,404)	(9)
CinemaxX Danmark A/S . . . . .	Denmark	Operating	92%	1,780	831
CinemaxX MaxXtainment GmbH . . . . .	Germany	Operating	71%	19	(1)
Verwaltung CinemaxX Cinema GmbH . . . . .	Germany	Operating	95%	3	(1)
CinemaxX Cinetainment GmbH . . . . .	Germany	Operating	95%	(1,307)	374
Vue Entertainment Holdings Limited . . . . .	United Kingdom	Holding	100%	127,479	—
Vue Entertainment Holdings (UK) Limited . . . . .	United Kingdom	Holding	100%	100,971	—
Spean Bridge Luxembourg S.ar.l . . . . .	Luxembourg	Holding	100%	(263)	(7)
A3 Cinemas Limited . . . . .	United Kingdom	Holding	100%	86	—
Spean Bridge Luxembourg Investments S.ar.l . . . . .	Luxembourg	Holding	100%	(14,886)	(2)
Spean Bridge (Taiwan) S.ar.l . . . . .	Luxembourg	Holding	100%	(8,140)	(12)
Vue Entertainment (UK) Limited . . . . .	United Kingdom	Holding	100%	5,736	—
Aurora Holding Limited . . . . .	United Kingdom	Holding	100%	1,027	—
Aurora Cinema Limited . . . . .	United Kingdom	Holding	100%	524	—
Aurora Cinema (Ireland) Limited . . . . .	Eire	Holding	100%	18,495	—
Vue Cinemas Limited . . . . .	United Kingdom	Holding	100%	9,290	—
Vue Theatres (UK) Limited . . . . .	United Kingdom	Inactive	100%	2,046	—
Spean Bridge Cinemas (Italia) Srl . . . . .	Italy	Inactive	100%	7	(3)
Vue Cinemas (UK) Limited . . . . .	United Kingdom	Inactive	100%	12,455	—
Vue Properties Limited . . . . .	United Kingdom	Inactive	100%	73,885	—

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The respective statutory financial year-ends of the following subsidiary undertakings is 31 December in accordance with local requirements: Spean Bridge Cinemas (Algarve) Lda, Spean Bridge Luxembourg S.ar.l, Spean Bridge Luxembourg Investments S.ar.l and Spean Bridge (Taiwan) S.ar.l, CinemaxX Aktiengesellschaft, CinemaxX Cinema GmbH & Co. KG, CinemaxX Entertainment GmbH & Co. KG, CinemaxX Movietainment GmbH, CinemaxX Entertainment Verwaltungsgesellschaft mbH, Silencium Betriebs GmbH, CinemaxX Filmtheater GmbH, CinemaxX Danmark A/S, CinemaxX MaxXtainment GmbH, Verwaltung CinemaxX Cinema GmbH and CinemaxX Cinetainment GmbH.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**14 Assets Held For Sale**

	Group		Company	
	As at 29 November 2012 £'000	As at 24 November 2011 £'000	As at 29 November 2012 £'000	As at 24 November 2011 £'000
Cinemas held for sale . . . . .	<u>2,082</u>	<u>—</u>	<u>—</u>	<u>—</u>

At 29 November 2012, the Group held five sites for resale at their net book value of £2,082k.

**15 Stock**

	Group		Company	
	As at 29 November 2012 £'000	As at 24 November 2011 £'000	As at 29 November 2012 £'000	As at 24 November 2011 £'000
Finished goods and goods for resale . . . . .	<u>2,717</u>	<u>1,475</u>	<u>—</u>	<u>—</u>

**16 Debtors**

	Group		Company	
	As at 29 November 2012 £'000	As at 24 November 2011 £'000	As at 29 November 2012 £'000	As at 24 November 2011 £'000
<b>Amounts falling due within one year:</b>				
Trade debtors . . . . .	6,757	3,056	—	—
Other debtors . . . . .	6,341	1,450	—	—
Group relief receivable . . . . .	—	—	40	—
Prepayments and accrued income . . . . .	18,614	13,223	2	4
Loan notes receivable from subsidiary undertaking . . . . .	—	—	120	107
	<u>31,712</u>	<u>17,729</u>	<u>162</u>	<u>111</u>
<b>Amounts falling due after more than one year:</b>				
Deferred tax (see note 21) . . . . .	16,385	1,158	—	—
Preference interest receivable . . . . .	—	—	51	23
	<u>48,097</u>	<u>18,887</u>	<u>213</u>	<u>134</u>

The loan notes bear interest of 12% per annum which is rolled up to increase the value of the loan.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**17 Creditors: Amounts Falling Due Within One Year**

	Group		Company	
	As at 29 November 2012 £'000	As at 24 November 2011 £'000	As at 29 November 2012 £'000	As at 24 November 2011 £'000
Trade creditors . . . . .	<b>18,183</b>	9,177	—	—
Other tax and social security . . . . .	<b>5,971</b>	3,418	—	—
Other creditors . . . . .	<b>3,082</b>	1,628	—	—
Accruals . . . . .	<b>46,024</b>	28,489	<b>81</b>	3
Corporation tax payable . . . . .	<b>529</b>	31	—	—
Amounts due to group undertakings . . . . .	—	—	<b>152</b>	57
Amounts owed to shareholders . . . . .	<b>97,967</b>	—	—	—
Deferred income . . . . .	<b>17,616</b>	6,478	—	—
	<b>189,372</b>	49,221	<b>233</b>	60
Bank loans (net of bank fees) . . . . .	<b>70,811</b>	6,832	—	—
	<b>260,183</b>	56,053	<b>233</b>	60

Amounts owed to group undertakings are interest free and repayable on demand.

On 10 May 2012 the shareholders advanced loans of £16,500k to Vue Holdings (Jersey) Limited with interest at LIBOR plus 2.25% per annum, compounding monthly. The loan was repaid on 17 December 2012 including interest of £284k.

Prior to the acquisition of CinemaxX AG, the shareholders advanced loans of €107,720k (£87,082k) to the Group. As at 29 November 2012 the balance outstanding was €98,909k (£79,664k). The loan was repaid on 17 December 2012 including interest of €1,506k (£1,220k).

On 10 July 2012 Vue Beteiligungs AG entered into a standalone facility of €90,000k (£70,827k) with Lloyds TSB Bank plc to facilitate the acquisition of CinemaxX AG of which €85,631k (£69,225k) was outstanding at period end. This loan was repaid following the refinancing of the Group on 17 December 2012 (see note 35).

**18 Creditors: Amounts Falling Due After More Than One Year**

	Group		Company	
	As at 29 November 2012 £'000	As at 24 November 2011 £'000	As at 29 November 2012 £'000	As at 24 November 2011 £'000
Bank loans (net of bank fees) . . . . .	<b>233,691</b>	231,777	—	—
Loan notes payable . . . . .	<b>264,529</b>	240,598	—	4,690
Preference share interest payable . . . . .	<b>2,032</b>	919	—	—
Deferred income . . . . .	<b>38,437</b>	34,728	—	—
	<b>538,689</b>	508,022	—	4,690

On 24 November 2010, Vue Holdings (UK) Limited borrowed £255.0m and entered into banking facilities of £15.0m and a capital expenditure facility of £30.0m from Nomura International PLC, Mediobanca Banca Di Credito Finanziario and Lloyds TSB Bank plc. The loan and borrowing facility are secured by a fixed and floating charge over certain of the Vue Entertainment International Limited Group's assets. Vue Holdings (UK) Limited was party to these facilities. Under these facilities all surplus cash balances are held as collateral for the bank loans advanced to the group members. Vue Holdings (UK) Limited has given a cross guarantee to its banks in respect of any borrowings under any of the above facilities up to the limit of these facilities.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**18 Creditors: Amounts Falling Due After More Than One Year (continued)**

At 29 November 2012 the Group had drawn bank loans of £304.5m net of related unamortised fees, £70.8m of which is included within creditors due within one year (see note 17). These represent fully drawn balances on the Group's term credit facilities Facility A, Facility B (Tranche I) and Facility B (Tranche II), a partial drawn balance on the Lloyds TSB Bank plc standalone facility and £nil drawn down on the Capex facility and Revolving facility.

**Facility A Loan**

A loan of £65.0m was drawn down on 21 December 2010 and is repayable in bi-annual instalments over a 6 year period commencing 31 May 2011 with a final redemption on 20 December 2016. The loan bears interest at LIBOR plus a margin of between 3.50% and 4.50%. During the period the Group reduced its borrowings under this facility by £8.1m (2011: £5.0m). The balance outstanding as at 29 November 2012 was £51.9m (2011: £60.0m). Following submission of these financial statements to the Company's banking syndicate, £nil (2011: £4.6m) is repayable under the "excess cash flow" covenant requirements.

**Facility B Loan (Tranche I)**

A loan of £190.0m was drawn down on 21 December 2010 and on 29 December 2010 £21.2m of this was converted into a €25.0m (Tranche II) loan leaving £168.8m repayable by one instalment on 20 December 2017. The Tranche I loan bears interest at LIBOR plus a margin of between 4.50% and 5.00%.

**Facility B Loan (Tranche II)**

A loan of €25.0m (£21.2m) was converted from the Tranche I loan on 29 December 2010 and is repayable by one installment which is due on 20 December 2017. The loan bears interest at EURIBOR plus a margin of between 4.50% and 5.00%. The balance outstanding as at 29 November 2012 was €25.0m (£20.2m) (2011: €25.0m (£21.5m)).

**Revolving Facility**

The Group is able to draw down on a £15.0m working capital facility, which was undrawn as at 29 November 2012 (2011: undrawn). The Group is able to draw on this facility to 20 December 2016. The facility bears interest at LIBOR plus a margin of 4.50%.

**Capex Facility**

The Group is able to draw down on a £30.0m facility for Capital Expenditure requirements, which was undrawn at 29 November 2012 (2011: undrawn). The Group is able to draw on this facility to 21 December 2013. This facility bears interest at LIBOR plus a margin of 4.50%.

**Other Facilities**

During the period the Group entered into other loan facilities which had a balance outstanding as at 29 November 2012 of £7,232k (2011: nil).

**Capitalised bank fees**

On 21 December 2010 the Group paid £13.8m of bank fees relating to the funding above and a further €4.4m (£3.5m) of bank fees relating to the standalone facility of €90.0m with Lloyds TSB Bank plc (see note 17). Group bank loans are stated net of unamortised issue costs at 29 November 2012 of £12.8m (2011: £11.7m). These costs are allocated to the profit and loss account over the terms of the individual loans.

**Swap Contracts**

On 10 March 2011 the Group entered into two new swaps with a notional value at 29 November 2012 of £181.0m and €20.0m (£16.2m). Under these swaps, the Group receives or pays interest depending

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**18 Creditors: Amounts Falling Due After More Than One Year (continued)**

on whether the variable rate (based in LIBOR and EURIBOR) is greater or less than the fixed rates of 2.31% and 2.56% respectively. In total, at 29 November 2012 these swaps cover 62% (2011: 81%) of the Group's Senior Debt facilities.

**Security**

The bank loans are secured by a fixed and floating charge over certain of the Group's assets.

**Loan Notes Interest**

Loan notes bear interest of 12% and are redeemable on the earlier of 31 December 2020 or upon an 'exit event'. All interest is rolled up and capitalised on an annual basis to increase the value of the loan.

**19 Provision for Liabilities**

	Group		Company	
	As at 29 November 2012 £'000	As at 24 November 2011 £'000	As at 29 November 2012 £'000	As at 24 November 2011 £'000
Provision at beginning of period . . . . .	<b>36,064</b>	—	—	—
Onerous lease provision acquired . . . . .	<b>2,281</b>	33,331	—	—
Charge to the profit and loss account . . . . .	<b>569</b>	2,086	—	—
Utilised during the period . . . . .	<b>(4,105)</b>	(2,706)	—	—
Unwinding of discount factor on onerous lease	<b>3,075</b>	3,353	—	—
<b>Provision at the end of the period . . . . .</b>	<b><u>37,884</u></b>	<b><u>36,064</u></b>	<b><u>—</u></b>	<b><u>—</u></b>

The carrying value of the onerous lease provision is reviewed annually and any material adjustments amended in line with the most recent projections. £3.8m (2011: £3.7m) of this provision is due within one year and the remaining provision is spread over the lease terms.

**20 Preference Shares**

	Group		Company	
	As at 29 November 2012 £'000	As at 24 November 2011 £'000	As at 29 November 2012 £'000	As at 24 November 2011 £'000
Shares issued . . . . .	<b><u>8,248</u></b>	<b><u>8,248</u></b>	<b><u>—</u></b>	<b><u>—</u></b>



**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**21 Deferred Taxation**

The deferred tax asset in the balance sheet comprises:

	<b>Group</b>		<b>Company</b>	
	<b>As at 29 November 2012 £'000</b>	<b>As at 24 November 2011 £'000</b>	<b>As at 29 November 2012 £'000</b>	<b>As at 24 November 2011 £'000</b>
Recognised at start of period . . . . .	<b>1,158</b>	—	—	—
Deferred tax acquired . . . . .	<b>16,403</b>	4,152	—	—
Transfers to translation reserve . . . . .	<b>429</b>	—	—	—
Credit to profit and loss account . . . . .	<b>(1,605)</b>	(2,994)	—	—
<b>Recognised at end of period . . . . .</b>	<b>16,385</b>	1,158	—	—
<b>Analysis of timing differences</b>				
Depreciation in excess of capital allowances . . . . .	<b>1,450</b>	1,068	—	—
Tax loss carried forward . . . . .	<b>14,925</b>	77	—	—
Other timing differences . . . . .	<b>10</b>	13	—	—
	<b>16,385</b>	1,158	—	—

Deferred tax is measured on a non-discounted basis at the tax rates which are expected to apply in the periods in which such timing differences reverse based on tax rates and laws substantively enacted at the balance sheet date. No provision has been made for deferred tax on gains recognised on the sale of property where potentially taxable gains are rolled over into replacement assets. The total amount unprovided is £1.0m (2011 £1.2m). At present it is not envisaged that any such tax will become payable in the foreseeable future. Unrecognised deferred taxation in the current period is £nil.

Deferred tax acquired as at 29 November 2012 relates to taxable losses carried forward within the CinemaxX AG group in accordance with FRS19 (see note 34).

**22 Called Up Share Capital**

	<b>As at 29 November 2012 £'000</b>	<b>As at 24 November 2011 £'000</b>
<b>Authorised</b>		
100,000,000 (2011: 100,000,000) A Ordinary shares of £0.001 . . . . .	<b>100</b>	100
100,000,000 (2011: 100,000,000) B Deferred shares of £0.001 . . . . .	<b>100</b>	100
100,000,000 (2011: 100,000,000) B1 Ordinary shares of £0.001 . . . . .	<b>100</b>	100
100,000,000 (2011: 100,000,000) B2 Ordinary shares of £0.001 . . . . .	<b>100</b>	100
100,000,000 (2011: 100,000,000) C Ordinary shares of £0.001 . . . . .	<b>100</b>	100
	<b>Shares £'000</b>	<b>Share premium £'000</b>
<b>Allotted, issued and fully paid</b>		<b>Total £'000</b>
At 26 October 2010 . . . . .	—	—
Issued during the period: 2,000,000 A Ordinary . . . . .	2	1,998
Issued during the period: 460,000 B1 Ordinary . . . . .	—	460
Issued during the period: 441,177 C Ordinary . . . . .	—	—
At 24 November 2011 . . . . .	2	2,458
Issued during period . . . . .	—	—
<b>At 29 November 2012 . . . . .</b>	<b>2</b>	<b>2,458</b>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**23 Reserves — Profit and Loss**

	Profit and Loss	
	Group £'000	Company £'000
At 24 November 2011 . . . . .	(33,730)	(22)
Loss for the financial period . . . . .	(41,424)	(94)
Translation reserve . . . . .	1,158	—
<b>At 29 November 2012 . . . . .</b>	<b><u>(73,996)</u></b>	<b><u>(116)</u></b>

**24 Reconciliation of Movements in Shareholders' (Deficit)/Funds**

	Group		Company	
	As at 9 November 2012 £'000	As at 24 November 2011 £'000	As at 29 November 2012 £'000	As at 24 November 2011 £'000
Loss for the financial period . . . . .	<b>(41,424)</b>	(33,430)	<b>(94)</b>	(22)
Translation reserve movement . . . . .	<b>1,158</b>	(300)	—	—
Net reduction for the financial period . . . . .	<b>(40,266)</b>	(33,730)	<b>(94)</b>	(22)
Share capital issued . . . . .	—	2,460	—	2,460
Opening shareholders' (deficit)/funds . . . . .	<b>(31,270)</b>	—	<b>2,438</b>	—
<b>Closing shareholders' (deficit)/funds . . . . .</b>	<b><u>(71,536)</u></b>	<b><u>(31,270)</u></b>	<b><u>2,344</u></b>	<b><u>2,438</u></b>

**25 Capital Commitments**

	As at 29 November 2012 £'000	As at 24 November 2011 £'000
<b>At the end of the period, the Group had capital commitments as follows:</b>		
Contracted . . . . .	<b><u>20,356</u></b>	<u>7,904</u>

**Company**

At 29 November 2012, the Company had no capital commitments (2011: £nil).

**26 Contingent liabilities**

The Company did not have any contingent liabilities as at the date of signature of these accounts (2011: nil).

**27 Commitments under Finance Leases**

	As at 29 November 2012 £'000	As at 24 November 2011 £'000
Finance leases which expire:		
Within one year . . . . .	<b>51</b>	—
In two to five years . . . . .	<b>36</b>	—
	<b><u>87</u></b>	<u>—</u>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**28 Commitments under Operating Leases**

As at 29 November 2012 and 24 November 2011, the Group had commitments payable in the following period under non-cancellable operating leases, analysed according to the period in which the lease expires, as follows:

	<b>Land &amp; Buildings</b>		<b>Other</b>	
	<b>As at 29 November 2012 £'000</b>	<b>As at 24 November 2011 £'000</b>	<b>As at 29 November 2012 £'000</b>	<b>As at 24 November 2011 £'000</b>
Operating leases which expire:				
Within one year . . . . .	<b>671</b>	—	<b>6</b>	25
In two to five years . . . . .	<b>2,893</b>	375	<b>352</b>	190
Over five years . . . . .	<b>82,316</b>	55,211	<b>489</b>	7,275
	<b><u>85,880</u></b>	<b><u>55,586</u></b>	<b><u>847</u></b>	<b><u>7,490</u></b>

Other commitments in 2011 include upfront payments made under a lease for certain equipment which will be spread for accounting purposes over the useful life of the equipment of seven years.

At 29 November 2012, the Company had no financial commitments under non-cancellable operating leases (2011: £nil).

**29 Reconciliation of Operating Profit to Net Cash Inflow**

	<b>Period ended 29 November 2012 £'000</b>	<b>Period ended 24 November 2011 £'000</b>
<b>Operating Profit</b> . . . . .	<b>17,894</b>	14,829
Depreciation of fixed assets . . . . .	<b>30,201</b>	24,907
Amortisation of goodwill . . . . .	<b>16,069</b>	13,441
Non cash operating items . . . . .	<b>(4,629)</b>	(1,874)
(Increase)/decrease in stock . . . . .	<b>(811)</b>	683
(Increase)/decrease in debtors . . . . .	<b>(7,013)</b>	1,465
Increase/(decrease) in creditors . . . . .	<b>10,329</b>	(22,720)
<b>Net cash inflow</b> . . . . .	<b><u>62,040</u></b>	<b><u>30,731</u></b>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**30 Reconciliation of Net Cash Flow to Movement in Net Debt**

	Period ended 29 November 2012 £'000	Period ended 24 November 2011 £'000
Increase in cash in the financial period . . . . .	<b>43,930</b>	18,003
Cash inflow from shareholders loans . . . . .	<b>(96,164)</b>	—
Cash inflow from loan notes issued . . . . .	—	(216,942)
Cash inflow from bank loans issued . . . . .	<b>(67,389)</b>	(255,000)
Cash outflow from other loans repaid . . . . .	<b>433</b>	—
Cash outflow from loan notes repaid . . . . .	<b>4,690</b>	—
Cash outflow from bank loans repaid . . . . .	<b>8,133</b>	5,000
Cash outflow from bank fees paid . . . . .	<b>3,557</b>	13,807
Change in net debt resulting from cash flows . . . . .	<b>(102,810)</b>	(435,132)
Amortisation of bank fees . . . . .	<b>(2,402)</b>	(2,113)
Acquired on acquisition . . . . .	<b>(7,352)</b>	—
Exchange movement on bank loan . . . . .	<b>(872)</b>	(304)
Issue of debt — rolled up interest . . . . .	<b>(31,536)</b>	(24,575)
Movement in debt . . . . .	<b>(144,972)</b>	(462,124)
Net debt at beginning of period . . . . .	<b>(462,124)</b>	—
Net debt at end of period . . . . .	<b>(607,096)</b>	(462,124)

**31 Analysis of Changes in Net Debt**

	As at 24 November 2011 £'000	Cash flow £'000	Acquisition £'000	Non cash movements £'000	29 November 2012 £'000
Cash in hand and at bank . . . . .	18,003	43,930	—	—	61,933
Loan notes . . . . .	(240,598)	4,690	—	(28,621)	(264,529)
Preference share interest accrued . . . . .	(919)	—	—	(1,113)	(2,032)
Shareholder loan . . . . .	—	(96,164)	—	(1,803)	(97,967)
Bank loans . . . . .	(238,610)	(55,266)	(7,352)	(3,273)	(304,501)
	<u>(462,124)</u>	<u>(102,810)</u>	<u>(7,352)</u>	<u>(34,810)</u>	<u>(607,096)</u>

**32 Pension**

The Group operates a defined contribution scheme in the form of a Group Personal Pension Plan for its employees. The assets of the plan are held separately from those of the Group in an independently administered fund. Contributions to the fund made by employees are matched by equal contributions to the fund from the Group. Contributions payable by the Group to the fund in respect of the period ended 29 November 2012 amounted to £241k (2011: £154k). At 29 November 2012, there were outstanding contributions of £46k (2011: £48k) included within creditors.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**33 Acquisition of Apollo Cinemas Limited**

On 10 May 2012 the Company's subsidiary, Treganna Bidco Limited acquired 100% of the share capital in Apollo Cinemas Limited.

The Company believes that the carrying value of the underlying assets and liabilities on acquisition are the current fair value and these are reflected below.

	Book Value prior to acquisition £'000	Assets held for sale £'000	Accounting treatment alignment £'000	Fair value to the Group £'000
Tangible fixed assets . . . . .	14,805	(2,414)	—	12,391
Assets held for sale . . . . .	—	2,414	—	2,414
Stock . . . . .	124	—	—	124
Debtors . . . . .	1,678	—	—	1,678
Overdraft . . . . .	(1,404)	—	—	(1,404)
Creditors . . . . .	(11,089)	—	—	(11,089)
Deferred tax . . . . .	—	—	713	713
Net assets acquired . . . . .	4,114	—	713	4,827
<b>Consideration satisfied by:</b>				
Cash consideration . . . . .	—	—	—	13,149
Total consideration . . . . .	—	—	—	13,149
<b>Goodwill . . . . .</b>	—	—	—	8,322

Deferred taxation has been calculated in respect of various fair value adjustments arising on the acquisition in accordance with FRS 19. Timing differences relate to fixed assets and have been determined based on the difference between the pre-existing tax written down value and/or the agreed purchase price and their fair value in respect of qualifying expenditure. A significant proportion of sites assets and their associated fair value do not qualify for capital allowances. These items give rise to a permanent timing difference.

The assets held for sale relate to five sites within the acquired Apollo Cinemas Limited circuit that were identified for disposal.

In its last financial year to 29 March 2012, Apollo Cinemas Limited made a loss after tax of £5,372k.

The table below shows the results of the acquired business from 30 March 2012 to 10 May 2012.

	£'000
Turnover . . . . .	2,784
Operating loss . . . . .	(346)
Interest . . . . .	(43)
Loss on ordinary activities before taxation . . . . .	(389)
Taxation . . . . .	713
<b>Retained profit for the period . . . . .</b>	<b>324</b>

There is no difference between the profit after tax and the recognised gains and losses for 30 March 2012 to 10 May 2012.

**34 Acquisition of CinemaxX AG**

On 10 July 2012 the Company's subsidiary, Vue Beteiligungs AG, announced its intention to launch a voluntary public takeover offer for all outstanding shares of CinemaxX AG, a group listed on the Frankfurt

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**34 Acquisition of CinemaxX AG (continued)**

and Hamburg Stock Exchanges. The effective date of acquisition was 7 August 2012. As at the Company's financial year end, 95.15% of all shares in CinemaxX AG had been acquired.

The Company believes that the carrying value of the underlying assets and liabilities on acquisition are the current fair value and these are reflected below.

	Book Value prior to acquisition £'000	Revaluations £'000	Accounting treatment alignment £'000	Fair value to the Group £'000
Intangible fixed assets . . . . .	6,739	(1,120)	(5,446)	173
Tangible fixed assets . . . . .	64,591	—	(30,004)	34,587
Stock . . . . .	307	—	—	307
Debtors . . . . .	5,202	—	—	5,202
Cash . . . . .	30,894	—	—	30,894
Creditors . . . . .	(33,587)	—	4,722	(28,865)
Provision for liabilities . . . . .	(2,247)	—	—	(2,247)
Borrowings . . . . .	(8,121)	—	—	(8,121)
Deferred tax . . . . .	18,643	—	(2,953)	15,690
Minority interests . . . . .	(2,366)	—	—	(2,366)
Net assets acquired . . . . .	<u>80,055</u>	<u>(1,120)</u>	<u>(33,681)</u>	<u>45,254</u>
<b>Consideration satisfied by:</b>				
Cash consideration . . . . .				135,440
Total consideration . . . . .				<u>135,440</u>
<b>Goodwill</b> . . . . .				<u>90,186</u>

Deferred taxation has been calculated in respect of taxable losses carried forward within the CinemaxX AG Group in accordance with FRS 19. These taxable losses are available to be offset against future taxable profits.

Revaluation adjustments reflect the write-down of goodwill.

Fair value adjustments have been made for the alignment of accounting policies to be in line with Group policy.

The intangible fixed asset adjustment reflects IT software licenses being included as tangible fixed assets and the reversal of goodwill relating to the purchase of a new site which under Group policy will not be recognised as no formal contract has been signed.

The tangible fixed asset adjustment reflects IT software licenses reclassified from intangible fixed assets. Additionally the leasing of buildings and other cinema assets are to be treated as operating leases rather than finance leases, in line with UK GAAP.

The provisions adjustment relates to the reversal of provisions for the purchase of a new site which under Group policy will not be recognised as no formal contract had been signed.

The deferred tax adjustment reflects the carried forward losses available to be utilised by the Group.

In its last financial year to 31 December 2011, CinemaxX AG made a profit after tax of €18,778k under IFRS reporting.



**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended 29 November 2012**

**34 Acquisition of CinemaxX AG (continued)**

The table below shows the results under IFRS reporting of the acquired business from 1 January 2012 to 7 August 2012.

	<b>€'000</b>
Turnover . . . . .	117,416
Operating profit/(loss) . . . . .	10,788
Interest . . . . .	(4,457)
Profit/(loss) on ordinary activities before taxation . . . . .	6,331
Taxation . . . . .	(4,949)
<b>Retained profit/(loss) for the period . . . . .</b>	<b>1,382</b>

There is no difference between the profit after tax and the recognised gains and losses from 1 January 2012 to 7 August 2012.

**35 Post Balance Sheet Events**

On 14 December 2012 the shareholders of Vue Holdings (Jersey) Limited signed a sale and purchase agreement relating to the sale of 100% of the share capital in Treganna Bidco Limited to Vue Entertainment Holdings (UK) Limited (a fellow subsidiary undertaking of Vue Entertainment International Limited). Treganna Bidco Limited owned 100% of the share capital in Apollo Cinemas Limited which operated 14 Multiplex Cinemas in the UK at the date of acquisition. At the date of signature of these financial statements, the transaction had been completed.

On 14 December 2012 the shareholders of Vue Holdings (Jersey) Limited signed a sale and purchase agreement relating to the sale of 100% of the share capital in Vue Beteiligungs AG to Vue Entertainment Limited (a fellow subsidiary undertaking of Vue Entertainment International Limited). At the date of acquisition, Vue Beteiligungs AG owned 95.15% of the share capital in CinemaxX AG, the operator of 34 Cinemas in Germany and Denmark. At the date of signature of these financial statements, the transaction had been completed.

The initial acquisition of these entities by the Group had been funded by a combination of bridging loans from shareholders and a standalone term facility loan. On 14 December 2012 the Company signed an amendment to the Senior Facilities Agreement dated 7 November 2010 in order to repay certain bridging loans and the standalone term facility loan (see note 17). This amended the Company's existing borrowing facilities via an additional Facility B Loan (Tranche III) of €105m and additional Facility C Loan of £53m. In addition, the Revolving Facility was increased by £10m from £15m to £25m and the Capex Facility was reduced by £10m from £30m to £20m with an extension of the period to which the Capex Facility can be drawn upon to 20 December 2016.

On 1 January 2013, CinemaxX group signed a lease agreement for Hanover Raschplatz which had previously been run on a management agreement basis.

**36 Ultimate Parent Undertaking**

The ultimate parent undertaking is DHC Luxembourg V Sàrl, which is registered in Luxembourg, whilst the ultimate controlling parties are limited partnerships constituting Doughty Hanson & Co V, a fund managed by Doughty Hanson & Co.

DH P Sarl, a company registered in Luxembourg, is the largest Group in which the results of the company are consolidated. The group financial statements are drawn up and publicly available from 28 Boulevard Royal, L-2449 Luxembourg.

## **Vue Entertainment International Limited**

**Financial Statements for the Period from 26 October 2010  
(date of incorporation) to 24 November 2011**

**(Formerly DH P Topco Limited)**

**(Registered Number 00106780)**

## **Independent Auditors' Report to the Members of Vue Entertainment International Limited**

We have audited the Group and Parent Company financial statements of Vue Entertainment International Limited for the 56 weeks ended 24 November 2011 which comprise the Consolidated Profit and Loss Account, the Consolidated Parent and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Statement of Group Shareholders' Deficit and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 15 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 24 November 2011 and of the Group's loss and cash flows for the period then ended;
- have been properly prepared in accordance United Kingdom Accounting Standards; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

### **Opinion on other matter**

In our opinion the information given in the Directors' Report for the financial period for which financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Parent Company; or

**Independent Auditors' Report to the Members of  
Vue Entertainment International Limited — (continued)**

- the Parent Company financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in black ink, appearing to read 'Philip Stokes', written over a horizontal line.

Philip Stokes  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants  
London

24 January 2012

**Vue Entertainment International Limited**  
**Consolidated Profit and Loss Account**  
**for the period ended 24 November 2011**

	Notes	Period ended 24 November 2011 £'000
<b>Turnover</b> . . . . .	2	<b>281,088</b>
Cost of sales . . . . .		<b>(99,874)</b>
<b>Gross profit</b> . . . . .		<b>181,214</b>
Administrative expenses . . . . .	3	<b>(166,385)</b>
<b>Group operating profit</b> . . . . .	4	<b>14,829</b>
Profit on disposal of fixed assets . . . . .	5	<b>411</b>
Interest receivable and similar income . . . . .	7	<b>86</b>
Interest payable and similar charges . . . . .	8	<b>(46,110)</b>
<b>Loss on ordinary activities before taxation</b> . . . . .		<b>(30,784)</b>
Tax charge on loss on ordinary activities . . . . .	9	<b>(2,646)</b>
<b>Loss for the financial period</b> . . . . .	22	<b>(33,430)</b>

There is no difference between the profit on ordinary activities before taxation and the profit for the period stated above and their historical cost equivalents.

All of the above results relate to continuing operations.

The notes on pages F-163 to F-179 form an integral part of these financial statements.

**Vue Entertainment International Limited**  
**Consolidated Balance Sheet**  
**as at 24 November 2011**

	Notes	As at 24 November 2011 £'000
<b>Fixed assets</b>		
Intangible assets . . . . .	11	276,003
Tangible assets . . . . .	12	262,749
		<u>538,752</u>
<b>Current assets</b>		
Stock . . . . .	14	1,475
Debtors: amounts falling due within one year . . . . .	15	17,729
Debtors: amounts falling due after one year . . . . .	15	1,158
Cash at bank and in hand . . . . .		18,003
		<u>38,365</u>
<b>Creditors: amounts falling due within one year</b>		
Loans (Senior debt net of bank fees) . . . . .	16	(6,832)
Other creditors . . . . .	16	(49,221)
		<u>(56,053)</u>
<b>Net current liabilities</b> . . . . .		<u>(17,688)</u>
<b>Total assets less current liabilities</b> . . . . .		<u>521,064</u>
<b>Financed by:</b>		
Creditors: amounts falling due after one year . . . . .	17	508,022
Provision for liabilities and charges . . . . .	18	36,064
Preference shares . . . . .	19	8,248
		<u>552,334</u>
<b>Capital and reserves</b>		
Called up share capital . . . . .	21	2,460
Profit and loss account . . . . .	22	(33,730)
<b>Total shareholders' deficit</b> . . . . .	23	(31,270)
		<u>521,064</u>

The notes on pages F-163 to F-179 form an integral part of these financial statements.

Approved by the Board of Directors and signed on its behalf by:



Alan McNair  
Director  
4 January 2012

**Vue Entertainment International Limited**  
**Company Balance Sheet**  
**as at 24 November 2011**

	Notes	As at 24 November 2011 £'000
<b>Fixed assets</b>		
Fixed asset investments . . . . .	13	<u>2,364</u>
		<u>2,364</u>
<b>Current assets</b>		
Debtors: amounts falling due within one year . . . . .	15	111
Debtors: amounts falling due after one year . . . . .	15	23
Cash . . . . .		<u>4,690</u>
		<u>4,824</u>
Creditors: amounts falling due within one year . . . . .	16	<u>(60)</u>
<b>Net current assets</b> . . . . .		<u>4,764</u>
<b>Total assets less current liabilities</b> . . . . .		<u><u>7,128</u></u>
<b>Financed by:</b>		
Creditors: amounts falling due after more than one year . . . . .	17	4,690
Preference shares . . . . .	19	<u>—</u>
<b>Capital and reserves</b>		
Called up share capital . . . . .	21	2,460
Profit and loss account . . . . .	22	<u>(22)</u>
<b>Total shareholders' deficit</b> . . . . .	23	<u><u>2,438</u></u>
		<u><u>7,128</u></u>

The notes on pages F-163 to F-179 form an integral part of these financial statements.

Approved by the Board of Directors and signed on its behalf by:



Alan McNair  
Director  
4 January 2012



**Vue Entertainment International Limited**  
**Consolidated Cash Flow Statement**  
**for the period ended 24 November 2011**

	Notes	Period ended 24 November 2011 £'000
<b>Operating activities</b>		
Net cash inflow from operating activities . . . . .	27	<u>30,731</u>
<b>Return on investments and servicing of finance</b>		
Interest received . . . . .		86
Interest paid . . . . .		<u>(11,197)</u>
<b>Net cash outflow from returns on investments and servicing of finance . . .</b>		<b>(11,111)</b>
Taxation . . . . .		366
<b>Cash outflow for capital expenditure and other financial investments</b>		
Payments to acquire tangible assets . . . . .		(16,219)
Landlord contributions received . . . . .		8,200
Proceeds from disposal of tangible assets . . . . .		1,653
Acquisition of Vue Entertainment Investment Group . . . . .		<u>(459,460)</u>
<b>Net cash outflow from capital expenditure and other financial investments</b>		<b>(465,826)</b>
<b>Net cash outflow before financing activities . . . . .</b>		<b><u>(445,840)</u></b>
<b>Financing activities</b>		
Bank loans (net of bank fees) . . . . .		236,193
Issue of loan notes . . . . .		216,942
Issue of preference shares . . . . .		8,248
Issue of ordinary shares . . . . .		<u>2,460</u>
<b>Net cash inflow from financing activities . . . . .</b>		<b><u>463,843</u></b>
<b>Increase in cash . . . . .</b>	28	<b><u>18,003</u></b>

The notes on pages F-163 to F-179 form an integral part of these financial statements.

**Vue Entertainment International Limited**  
**Consolidated Statement of Total Recognised Gains and Losses**  
**for the period ended 24 November 2011**

	Period ended 24 November 2011 £'000
Loss for the financial period . . . . .	(33,430)
Foreign exchange movement . . . . .	(300)
Total recognised losses relating to the financial period . . . . .	<u>(33,730)</u>

**Consolidated Statement of Group Shareholders' Deficit**  
**for the period ended 24 November 2011**

	Period ended 24 November 2011 £'000
Loss for the financial period . . . . .	(33,430)
Issue of shares . . . . .	—
Foreign exchange movement . . . . .	(300)
Movement for the financial period . . . . .	(33,730)
Opening shareholders' deficit . . . . .	—
<b>Closing shareholders' deficit . . . . .</b>	<u><b>(33,730)</b></u>

The notes on pages F-163 to F-179 form an integral part of these financial statements.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements**  
**for the period ended to 24 November 2011**

**1 Accounting Policies**

**a) Basis of preparation**

These financial statements have been prepared under the historical cost convention in accordance with the Companies (Jersey) Law 1991 and applicable accounting standards in the United Kingdom. A summary of the more important Group accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the period.

The financial statements have been prepared on a going concern basis. The directors deemed it appropriate to prepare the accounts on a going concern basis having given due regard to the trading results and capital structure of the Group. In particular the working capital requirements of the Group are met by the Group's available cash balance combined with the revolving credit facility provided under the Senior Debt Agreements with Vue Holdings (UK) Limited, a subsidiary undertaking of the Company, signed on 7 November 2010. The Group has also provided that funds are available for planned capital expenditures by way of a facility with a final draw down date of 21 December 2013. The longer term finance of the Group is provided under an A and B loan structure with maturities of 6 and 7 years respectively. Further finance is provided by subordinated shareholder funding with maturity dates on the earlier of 31 December 2020 or an 'exit event'. As a result Vue Entertainment International Limited directors believe that the Company and all its current subsidiaries will, for the foreseeable future, be able to continue trading and meet all their liabilities as they fall due.

There is no material difference between the fair value of financial assets and liabilities and their carrying amount.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Further details regarding areas requiring significant assumptions and estimates are provided in the accounting policies below and in the relevant note to the financial statements where applicable.

**b) Accounting reference date**

The Company prepares financial statements for either 52 or 53 week periods ending on a Thursday within one week of 30 November. As this is the first reporting period of the Company, the results for the current period refer to the 56 week period ended 24 November 2011.

**c) Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings as listed in note 13. The elimination of group transactions occurs on consolidation.

**d) Acquisitions**

On 21 December 2010 the Company acquired 100% of the share holding of Vue Entertainment Investment Limited for a total consideration of £459.5m (see note 31) Vue Entertainment Investment Limited and its related subsidiaries operate various multiplexes in the United Kingdom, Eire, Portugal and Taiwan.

The identifiable assets and liabilities of the company acquired are included in the consolidated balance sheet at their fair value at the date of acquisition, and its results included in the profit and loss account from the date of the acquisition. The difference between the fair value of the consideration given and the fair values of the net assets of the entity acquired is accounted for as goodwill.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended to 24 November 2011**

**1 Accounting Policies (continued)**

**e) Company profit and loss**

The profit and loss account of the Company is not presented as a part of these financial statements.

**f) Revenue recognition**

Revenue is reported net of value added tax and comprises primarily ticket and concession sales and screen advertising income. Revenue from ticket sales is reported in the period in which the film is shown. Income from screen advertising guaranteed income is recognised evenly over the period to which they relate. Other screen advertising income is recognised as generated. Concession revenue is recognised at the time of sale.

**g) Depreciation**

Depreciation is provided on all tangible fixed assets in use during the period. The rates used are calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life at the following annual rates:

Short leasehold land and buildings	—	25 years (or length of the lease, if shorter)
Other cinema site assets	—	15 years (or length of the lease, if shorter)
Equipment	—	3–10 years

Where fixed assets have been revalued these amounts are being depreciated over the shorter of the lease term or 20 years.

**h) Impairment of fixed assets**

The need for any fixed asset impairment provision is assessed by comparison of the carrying value of an income generating unit, which normally comprises the portfolio of sites that operate within a market place, against a value in use or net realisable value that is lower than the net book value. The value in use has been calculated using a discounted cash flow methodology in accordance with applicable Financial Reporting Standards. The discounting rate used in assessing the value in use of the assets is the estimated weighted average cost of capital employed by the Group, adjusted as necessary for any particular risks of the subsidiary being reviewed. The weighted average cost of capital employed by the Group has been calculated as the weighted average of the internal rate of return applied in the equity funding and the Group's bank debt interest rate.

**i) Intangible assets**

Goodwill is the difference between the aggregate of the fair value of those separately identifiable assets and liabilities acquired and the fair value of the purchase consideration.

Goodwill is capitalised and amortised over its useful life, which in the opinion of the directors is 20 years. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

**j) Fixed asset investments**

Investments are stated at cost less provision for impairment. Investments in subsidiaries are reviewed annually for possible impairment.

**k) Stock**

Stock is valued at the lower of cost and net realisable value after making due allowance for any obsolete items.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended to 24 November 2011**

**1 Accounting Policies (continued)**

**l) Pensions**

Pension contributions (which are made to a defined contribution Group Personal Pension Plan) are charged to the profit and loss account as incurred. These contributions are invested separately from the Group's assets.

**m) Leases**

Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term. Lease incentives are amortised over the shorter of the period to the next rent review date or over the remaining term of the lease.

**n) Current and deferred taxation**

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantially enacted at the balance sheet date, together with any adjustment in respect of tax payable for previous periods.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**o) Translation of foreign currencies**

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions; monetary assets and liabilities at the balance sheet date are translated at the period end rate of exchange. All exchange differences arising are reported as part of the profit or loss for the period.

In respect of the Company's subsidiaries, profit and loss accounts in currencies other than sterling are translated into sterling at closing exchange rates. Balance sheets are translated into sterling at the rates ruling at the period end. Exchange differences arising on consolidation are taken directly to reserves.

**p) Pre-opening and initial site development expenses**

In accordance with accounting pronouncement Urgent Issues Task Force ("UITF") Abstract 24 — "Accounting for Start up Costs", pre-opening costs are written off in the period in which they are incurred.

Expenditure of a capital nature, as set out in Financial Reporting Standard ("FRS") 15 — "Tangible Fixed Assets", is capitalised from the date at which the Board approves the development of the cinema site.

**q) Financial instruments**

As part of its interest rate management strategy the Group has entered into interest rate swap contracts. The interest received/paid on these contracts is netted against the interest paid on the loans.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended to 24 November 2011**

**1 Accounting Policies (continued)**

**r) Onerous lease**

Provision is made for onerous leases where it is considered that the unavoidable costs of the lease obligations are in excess of the economic benefits expected to be received by it. The unavoidable costs of the lease reflect the net cost of exiting from the contract and are measured as the lower of the net present value of the cost of continuing to operate the lease and any penalties or other costs of exiting from it.

**s) Related party transactions**

The Company has taken advantage of the exemption contained within FRS 8 — “Related Party Transactions” not to disclose related party transactions with other members of its group of companies, which are wholly owned subsidiaries.

**2 Segmental Information**

Turnover comprises the value of goods and services provided to customers exclusive of value added tax.

	Period ended 24 November 2011 £'000
<b>Analysis of turnover by geographical market</b>	
United Kingdom . . . . .	259,940
Continental Europe . . . . .	14,251
Other . . . . .	6,897
	<u>281,088</u>

All turnover is derived from external customers in the local geographical market.

	Period ended 24 November 2011 £'000
<b>Profit/(Loss) before taxation</b>	
United Kingdom . . . . .	(31,997)
Continental Europe . . . . .	1,081
Other . . . . .	132
	<u>(30,784)</u>
<b>Net Assets/(Liabilities)</b>	
United Kingdom . . . . .	(34,521)
Continental Europe . . . . .	3,968
Other . . . . .	(717)
	<u>(31,270)</u>

**3 Administrative Expenses**

	Period ended 24 November 2011 £'000
Administrative expenses . . . . .	<u>166,385</u>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended to 24 November 2011**

**4 Operating Profit**

	Period ended 24 November 2011 £'000
Operating Profit is stated after charging:	
Fees payable to the Group's auditor for audit services . . . . .	135
— Other services pursuant to legislation . . . . .	10
— Other services in relation to taxation . . . . .	12
— All other services . . . . .	944
Depreciation on owned assets (note 12) . . . . .	8,060
Depreciation on assets relating to leasehold properties (note 12) . . . . .	16,847
Realised foreign exchange loss . . . . .	1
Onerous lease provision charge (note 18) . . . . .	2,086
Goodwill amortised (note 11) . . . . .	13,441
Rentals under operating leases on land and buildings . . . . .	49,235
Pre-opening expenses . . . . .	76

Fees payable for the audit of the Company: £1,000.

**5 Disposal of Fixed Assets**

	Period ended 24 November 2011 £'000
Profit on disposal of fixed assets . . . . .	411

**6 Staff Costs**

	Period ended 24 November 2011 £'000
Wages and salaries . . . . .	34,056
Social security costs . . . . .	1,966
Other pension costs . . . . .	154
	<u>36,176</u>

The average monthly number of employees during the period was made up as follows:

	Period ended 24 November 2011
Cinema . . . . .	3,156
Administration . . . . .	111
	<u>3,267</u>



**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended to 24 November 2011**

**6 Staff Costs (continued)**

The Executive Directors of the Company are remunerated by a subsidiary undertaking, Vue Services Limited, in respect of their services to both the Company and the Group. Non-executive directors are not employed by the Company or Group. The following amounts are for the full period's service including the pre-acquisition period.

	Period ended 24 November 2011 £'000
Aggregate emoluments, including benefits in kind . . . . .	2,083
Defined contribution scheme — Company contributions . . . . .	48
	<u>2,131</u>
	Period ended 24 November 2011 £'000
<b>Highest paid director</b>	
Aggregate emoluments, including benefits in kind . . . . .	916
Defined contribution scheme — Company contributions . . . . .	12
	<u>928</u>

Retirement benefits are accruing to three directors under a defined contribution scheme.

**7 Interest Receivable and Similar Income**

	Period ended 24 November 2011 £'000
Bank interest . . . . .	79
Other interest . . . . .	7
	<u>86</u>

**8 Interest Payable and Similar Charges**

	Period ended 24 November 2011 £'000
<b>Interest and similar charges</b>	
Bank loans and overdrafts . . . . .	15,040
Other interest . . . . .	1,029
Amortisation of issue costs of bank loans . . . . .	2,113
Unwinding of discount factor on onerous lease . . . . .	3,353
Shareholder loans & preference share interest — rolled up interest . . . . .	24,575
	<u>46,110</u>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended to 24 November 2011**

**9 Taxation on Loss on ordinary activities**

	Period ended 24 November 2011 £'000
<b>Analysis of tax for the financial period</b>	
<b>United Kingdom</b>	
Corporation tax at 26.67% . . . . .	323
Double taxation relief . . . . .	(323)
Over provision for prior years . . . . .	(673)
Overseas tax incurred . . . . .	325
<b>Total current tax charge . . . . .</b>	<b>(348)</b>
<b>Deferred tax</b>	
Origination of timing differences — United Kingdom . . . . .	2,994
<b>Total deferred tax . . . . .</b>	<b>2,994</b>
<b>Taxation on loss on ordinary activities . . . . .</b>	<b>2,646</b>

**Factors affecting current tax charge for the financial period**

The effective rate of current tax for the period, based on the UK standard rate of corporation tax was 26.67%. A reconciliation of the current tax charge for the period to the tax on profit at the standard rate is shown below:

	Period ended 24 November 2011 £'000
<b>Analysis of tax charge for the financial period</b>	
<b>Group</b>	
Loss on ordinary activities before tax . . . . .	(30,784)
Loss on ordinary activities multiplied by the effective rate of corporation tax in the UK of 26.67% . . . . .	(8,211)
<b>Effects of:</b>	
Capital allowances in excess of depreciation . . . . .	(1,596)
Expenses not deductible for tax purposes . . . . .	10,626
Tax overprovided in prior periods . . . . .	(673)
Other timing differences . . . . .	(494)
<b>Current tax charge for the financial period . . . . .</b>	<b>(348)</b>

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

**10 Loss of the Parent Company**

The profit and loss account of the Company is not presented as a part of these financial statements. The Company's loss for the period ended 24 November 2011 was £22k.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended to 24 November 2011**

**11 Intangible Fixed Assets**

	<b>Total Goodwill £'000</b>
<b>Cost</b>	
<b>At acquisition</b> . . . . .	—
Additions . . . . .	289,444
<b>24 November 2011</b> . . . . .	<b>289,444</b>
<b>Amortisation</b>	
<b>At acquisition</b> . . . . .	—
Charged for the period . . . . .	(13,441)
<b>At 24 November 2011</b> . . . . .	<b>(13,441)</b>
<b>Net book value at 24 November 2011</b> . . . . .	<b>276,003</b>

Goodwill is being amortised in equal annual instalments over its estimated economic life of 20 years.

**12 Tangible Fixed Assets**

	<b>Short Leasehold Land and Buildings £'000</b>	<b>Furniture Fixture and Equipment £'000</b>	<b>Construction in Progress £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 26 October 2010 . . . . .	—	—	—	—
Acquisitions . . . . .	238,896	30,416	766	270,078
Additions . . . . .	12,262	6,506	—	18,768
Transfers . . . . .	466	—	(466)	—
Disposals . . . . .	—	(2,017)	—	(2,017)
Foreign exchange movement . . . . .	137	65	—	202
<b>At 24 November 2011</b> . . . . .	<b>251,761</b>	<b>34,970</b>	<b>300</b>	<b>287,031</b>
<b>Depreciation</b>				
At 26 October 2010 . . . . .	—	—	—	—
Charge during period . . . . .	16,847	8,060	—	24,907
Disposals . . . . .	—	(775)	—	(775)
Foreign exchange movement . . . . .	95	55	—	150
<b>At 24 November 2011</b> . . . . .	<b>16,942</b>	<b>7,340</b>	<b>—</b>	<b>24,282</b>
<b>Net book value at 24 November 2011</b> . . . . .	<b>234,819</b>	<b>27,630</b>	<b>300</b>	<b>262,749</b>
Net book value at 26 October 2010 . . . . .	—	—	—	—

The additions for the period include an amount of £2.9m of capital expenditure accrued at 24 November 2011 (£0.3m in acquisition) relating to expenditure on new sites and other projects.

**Company**

The Company had no tangible fixed assets at 24 November 2011.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended to 24 November 2011**

**13 Fixed Asset Investments**

<u>Company</u>	<u>£'000</u>
<b>Cost</b>	
At 26 October 2010 . . . . .	—
Additions . . . . .	<b>2,364</b>
<b>At 24 November 2011 . . . . .</b>	<b><u>2,364</u></b>

The details of the Company's subsidiary undertakings as at 24 November 2011 are shown below:

	<u>Country of registration</u>	<u>Nature of Business</u>	<u>Proportion of shares held (ordinary shares)</u>	<u>Capital &amp; Reserves £'000</u>	<u>Profit/(Loss) for year £'000</u>
<b>Direct subsidiary undertakings</b>					
Vue Holdings (Jersey) Ltd . . . . .	Jersey	Holding	100%	(1,610)	(3,766)
<b>Indirect subsidiary undertakings</b>					
Vue Holdings (UK) Limited . . . . .	United Kingdom	Holding	100%	(11,033)	(12,886)
Vue Entertainment Investment Ltd . . . . .	United Kingdom	Holding	100%	(119,680)	(26,186)
Vue Booking Services Limited . . . . .	United Kingdom	Operating	100%	4,635	1,457
Vue Services Limited . . . . .	United Kingdom	Operating	100%	7,253	(18)
Vue Entertainment Limited . . . . .	United Kingdom	Operating	100%	147,695	18,725
Spean Bridge Cinemas (Algarve) Lda . . . . .	Portugal	Operating	100%	(2,655)	(345)
SBC Taiwan Limited . . . . .	Taiwan	Operating	100%	(4,670)	300
Ster Century (UK) Limited . . . . .	United Kingdom	Operating	100%	35,089	2,875
Vue Entertainment Holdings Limited . . . . .	United Kingdom	Holding	100%	127,480	—
Vue Entertainment Holdings (UK) Limited . . . . .	United Kingdom	Holding	100%	100,971	—
Spean Bridge Luxembourg S.ar.l . . . . .	Luxembourg	Holding	100%	(254)	(9)
A3 Cinemas Limited . . . . .	United Kingdom	Holding	100%	86	—
Spean Bridge Luxembourg Investments S.ar.l . . . . .	Luxembourg	Holding	100%	(14,885)	(8)
Spean Bridge (Taiwan) S.ar.l . . . . .	Luxembourg	Holding	100%	(8,127)	(9)
Vue Entertainment (UK) Limited . . . . .	United Kingdom	Holding	100%	5,735	—
Aurora Holding Limited . . . . .	United Kingdom	Holding	100%	1,027	—
Aurora Cinema Limited . . . . .	United Kingdom	Holding	100%	524	—
Aurora Cinema (Ireland) Limited . . . . .	Eire	Holding	100%	22,886	—
Vue Cinemas Limited . . . . .	United Kingdom	Holding	100%	9,290	—
Vue Theatres (UK) Limited . . . . .	United Kingdom	Inactive	100%	2,046	—
Spean Bridge Cinemas (Italia) Srl . . . . .	Italy	Inactive	100%	10	22
Vue Cinemas (UK) Limited . . . . .	United Kingdom	Inactive	100%	12,456	—
Vue Properties Limited . . . . .	United Kingdom	Inactive	100%	73,885	—
Spean Bridge (Greenwich) Limited . . . . .	United Kingdom	Inactive	100%	1	—
Spean Bridge (Hamilton) Limited . . . . .	United Kingdom	Inactive	100%	1	—
Spean Bridge (Swindon) Limited . . . . .	United Kingdom	Inactive	100%	1	—
Vue Entertainment (Livingston) Limited . . . . .	United Kingdom	Inactive	100%	946	—

The respective statutory financial year-ends of Spean Bridge Cinemas (Algarve) Lda, Spean Bridge Luxembourg S.ar.l, Spean Bridge Luxembourg Investments S.ar.l and Spean Bridge (Taiwan) S.ar.l is 31 December in accordance with local requirements.

**14 Stock**

	<u>Group As at 24 November 2011 £'000</u>	<u>Company As at 24 November 2011 £'000</u>
Finished goods and goods for resale . . . . .	<b><u>1,475</u></b>	<u>—</u>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended to 24 November 2011**

**15 Debtors**

	Group As at 24 November 2011 £'000	Company As at 24 November 2011 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors . . . . .	3,056	—
Other debtors . . . . .	1,450	—
Prepayments and accrued income . . . . .	13,223	4
Loan notes receivable from subsidiary undertaking . . . . .	—	107
	<u>17,729</u>	<u>111</u>
<b>Amounts falling due after one year:</b>		
Deferred tax (see note 20) . . . . .	1,158	—
Preference interest receivable . . . . .	—	23
	<u>18,887</u>	<u>134</u>

The loan notes bear interest of 12% per annum which is rolled up to increase the value of the loan.

**16 Creditors: Amounts Falling Due Within One Year**

	Group As at 24 November 2011 £'000	Company As at 24 November 2011 £'000
Trade creditors . . . . .	9,177	—
Other tax and social security . . . . .	3,418	—
Other creditors . . . . .	1,628	—
Accruals . . . . .	28,489	3
Corporation tax payable . . . . .	31	—
Amounts due to group undertakings . . . . .	—	57
Deferred income . . . . .	6,478	—
	<u>49,221</u>	<u>60</u>
Bank loans (net of bank fees) . . . . .	6,832	—
	<u>56,053</u>	<u>60</u>

Amounts owed to Group undertakings are interest free and repayable on demand.

**17 Creditors: Amounts Falling Due After More Than One Year**

	Group As at 24 November 2011 £'000	Company As at 24 November 2011 £'000
Bank loans (net of bank fees) . . . . .	231,777	—
Loan notes payable . . . . .	240,598	4,690
Preference interest payable . . . . .	919	—
Deferred income . . . . .	34,728	—
	<u>508,022</u>	<u>4,690</u>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended to 24 November 2011**

**17 Creditors: Amounts Falling Due After More Than One Year (continued)**

On 24 November 2010, Vue Holdings (UK) Limited borrowed £255 million and entered into banking facilities of £15 million and a capital expenditure facility of £30 million from Nomura International PLC, Mediobanca Banca Di Credito Finanziario and Lloyds TSB Bank plc. The loan and borrowing facility are secured by a fixed and floating charge over certain of the Vue Entertainment International Limited Group's assets. The Company was party to these facilities. Under these facilities all surplus cash balances are held as collateral for the bank loans advanced to the group members. In addition, the Company has given a cross guarantee to its banks in respect of any borrowings under any of the above facilities up to the limit of these facilities.

At 24 November 2011 the Group had drawn bank loans of £238.6m, net of related unamortised fees. These represent fully drawn balances on the Group's term credit facilities Facility A, Facility B (Tranche I), Facility B (Tranche II), Capex Facility, with £nil drawn on the Revolving Facility.

**Facility A Loan**

A loan of £65.0m was drawn down on 21 December 2010 and is repayable in bi-annual instalments over a 6 year period commencing 31 May 2011 with a final redemption on 20 December 2016. The loan bears interest at LIBOR plus a margin of between 3.50% and 4.50%. During the period the Group reduced its borrowings under this facility by £5.0m. The balance outstanding as at 24 November 2011 was £60.0m. Following submission of these financial statements to the Company's banking syndicate, £4.6m is repayable under the "excess cash flow" covenant requirements.

**Facility B Loan (Tranche I)**

The loan of £190.0m was drawn down on 21 December 2010 and on 29 December 2010 £21.2m of this was converted into a €25.0m (Tranche II) loan leaving £168.8m repayable by one instalment on 20 December 2017. The Tranche I loan bears interest at LIBOR plus a margin of between 4.50% and 5.00%.

**Facility B Loan (Tranche II)**

This loan of €25.0m (£21.2m) was converted from the Tranche I loan on 29 December 2010 and is repayable by one installment which is due on 20 December 2017. The loan bears interest at EURIBOR plus a margin of between 4.50% and 5.00%. The balance outstanding as at 24 November 2011 was €25.0m (£21.5m).

**Revolving Facility**

The Group is able to draw down on a £15.0m working capital facility, which was undrawn as at 24 November 2011. The Group is able to draw on this facility to 20 December 2016. The facility bears interest at LIBOR plus a margin of 4.50%.

**Capex Facility**

The Group is able to draw down on a £30.0m facility for Capital Expenditure requirements, which was undrawn at 24 November 2011. The Group is able to draw on this facility to 21 December 2013. This facility bears interest at LIBOR plus a margin of 4.50%.

**Capitalised bank fees**

On 21 December 2010 the Group paid £13.8m of bank fees relating to the funding above. Group bank loans are stated net of unamortised issue costs at 24 November 2011 of £11.7m. These costs are allocated to the profit and loss account over the terms of the individual loans.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended to 24 November 2011**

**17 Creditors: Amounts Falling Due After More Than One Year (continued)**

**Swap Contracts**

On 10 March 2011 the Group entered into two new swaps with a notional value at 24 November 2011 of £185.0m and €20.0m (£17.2m). Under these swaps, the Group receives or pays interest depending on whether the variable rate (based in LIBOR and EURIBOR) is greater or less than the fixed rates of 2.31% and 2.56% respectively. In total, at 24 November 2011 these swaps cover 81% of the Group's Senior Debt facilities.

**Security**

The bank loans are secured by a fixed and floating charge over certain of the Group's assets.

**Loan Notes and Preference Share Interest**

The preference shares bear interest of 12% and are redeemable on the earlier of 31 December 2020 or upon an 'exit event'.

£212.2m of loan notes bear interest of 12% and are redeemable on the earlier of 31 December 2020 or upon an 'exit event'. £4.7m of the loan notes are interest free and redeemable no earlier than twelve months and one day after issue. All interest is rolled up and capitalized on an annual basis to increase the value of the loan.

**18 Provision for Liabilities and Charges**

	Group As at 24 November 2011 £'000	Company As at 24 November 2011 £'000
At 26 October 2010 . . . . .	—	—
Onerous lease provision acquired . . . . .	33,331	—
Charge to the profit and loss account . . . . .	2,086	—
Utilised during the period . . . . .	(2,706)	—
Unwinding of discount factor on onerous lease . . . . .	3,353	—
<b>Provision at the end of the period . . . . .</b>	<b><u>36,064</u></b>	<b><u>—</u></b>

The carrying value of the onerous lease provision is reviewed annually and any material adjustments amended in line with the most recent projections. £3.7m of this provision is due within one year and the remaining provision is spread over the lease terms.

**19 Preference Shares**

	Group As at 24 November 2011 £'000	Company As at 24 November 2011 £'000
Shares issued . . . . .	<b><u>8,248</u></b>	<b><u>—</u></b>



**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended to 24 November 2011**

**20 Deferred Taxation**

The deferred tax asset in the balance sheet comprises:

	Group As at 24 November 2011 £'000	Company As at 24 November 2011 £'000
Recognised at start of period . . . . .	—	—
Deferred tax acquired . . . . .	4,152	—
Credit to profit and loss account . . . . .	(2,994)	—
<b>Recognised at end of period . . . . .</b>	<b>1,158</b>	<b>—</b>
<b>Analysis of timing differences</b>		
Depreciation in excess of capital allowances . . . . .	1,068	—
Tax loss carried forward . . . . .	77	—
Other timing differences . . . . .	13	—
	<u>1,158</u>	<u>—</u>

Deferred tax is measured on a non-discounted basis at the tax rates which are expected to apply in the periods in which such timing differences reverse based on tax rates and laws substantively enacted at the balance sheet date. No provision has been made for deferred tax on gains recognised on the sale of property where potentially taxable gains are rolled over into replacement assets. The total amount unprovided is £1.2m. At present it is not envisaged that any such tax will become payable in the foreseeable future.

Unrecognised deferred taxation in the current period is £nil.

**21 Called Up Share Capital**

	As at 24 November 2011 £'000
<b>Authorised</b>	
100,000,000 A Ordinary shares of £0.001 . . . . .	100
100,000,000 B1 Ordinary shares of £0.001 . . . . .	100
100,000,000 B2 Ordinary shares of £0.001 . . . . .	100
100,000,000 B Deferred shares of £0.001 . . . . .	100
100,000,000 C Ordinary shares of £0.001 . . . . .	100
<b>Allotted, issued and fully paid</b>	
Issued 2,000,000 A Ordinary during the period . . . . .	2,000
Issued 460,000 B1 Ordinary during the period . . . . .	460
Issued 441,177 C Ordinary during the period . . . . .	—
Closing balance . . . . .	<u>2,460</u>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended to 24 November 2011**

**22 Reserves**

	Profit and Loss	
	Group £'000	Company £'000
At 26 October 2010 . . . . .	—	—
Loss for the financial period . . . . .	(33,430)	(22)
Translation reserve . . . . .	(300)	—
<b>At 24 November 2011 . . . . .</b>	<b>(33,730)</b>	<b>(22)</b>

**23 Reconciliation of Movements in Shareholders' Deficit**

	Group As at 24 November 2011 £'000	Company As at 24 November 2011 £'000
Loss for the financial period . . . . .	(33,430)	(22)
Translation reserve movement . . . . .	(300)	—
Net reduction for the financial period . . . . .	(33,730)	(22)
Share capital issued . . . . .	2,460	2,460
Opening shareholders' funds . . . . .	—	—
<b>Closing shareholders' deficit . . . . .</b>	<b>(31,270)</b>	<b>2,438</b>

**24 Capital Commitments**

Group	Period ended 24 November 2011 £'000
<b>At 24 November 2011, the Group had capital commitments as follows:</b>	
Contracted . . . . .	<b>7,904</b>

The capital commitments will be funded through a combination of cash and landlord contributions of £2.4m.

**Company**

At 24 November 2011, the Company had no capital commitments.

**25 Contingent liabilities**

The Company did not have any contingent liabilities as at the date of signature of these accounts.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended to 24 November 2011**

**26 Other Financial Commitments**

At 24 November 2011, the Group had commitments payable in the following period under non-cancellable operating leases, analysed according to the period in which the lease expires, as follows:

	Land & Buildings As at 24 November 2011 £'000	Other As at 24 November 2011 £'000
Within one year . . . . .	—	25
In two to five years . . . . .	—	190
Over five years . . . . .	55,586	7,275
	<u>55,586</u>	<u>7,490</u>

The Group is committed to make payments of £7.3m during the period ending 29 November 2012 in respect of the continued digitalisation of the circuit. This represents a prepayment for the lease of digital projectors which is being expensed to the profit and loss account over the period of the lease and will result in a charge of £0.9m for the period ending 29 November 2012.

At 24 November 2011, the Company had no financial commitments under non-cancellable operating leases (2010: £nil).

**27 Reconciliation of Operating Profit to Net Cash Inflow**

	Period ended 24 November 2011 £'000
<b>Operating Profit</b> . . . . .	<b>14,829</b>
Depreciation of fixed assets . . . . .	24,907
Amortisation of goodwill . . . . .	13,441
Non cash operating items . . . . .	(1,874)
Decrease in stock . . . . .	683
Decrease in debtors . . . . .	1,465
Decrease in creditors . . . . .	(22,720)
<b>Net cash inflow</b> . . . . .	<b><u>30,731</u></b>

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended to 24 November 2011**

**28 Reconciliation of Net Cash Flow to Movement in Net Debt**

	Period ended 24 November 2011 £'000
Increase in cash in the financial period . . . . .	18,003
Cash inflow from loan notes issued . . . . .	(216,942)
Cash inflow from bank loans issued . . . . .	(255,000)
Cash outflow from bank loans repaid . . . . .	5,000
Cash outflow from bank fees paid . . . . .	13,807
Change in net debt resulting from cash flows . . . . .	(435,132)
Amortisation of bank fees . . . . .	(2,113)
Exchange movement on bank loan . . . . .	(304)
Issue of debt — rolled up interest . . . . .	(24,575)
Movement in debt . . . . .	(462,124)
Net debt at beginning of period . . . . .	—
Net debt at end of period . . . . .	<u>(462,124)</u>

**29 Analysis of Changes in Net Debt**

	As at 26 October 2010 £'000	Cash flow £'000	Non cash movements £'000	24 November 2011 £'000
Cash in hand and at bank . . . . .	—	18,003	—	18,003
Loan notes . . . . .	—	(216,942)	(23,656)	(240,598)
Preference share interest accrued . . . . .	—	—	(919)	(919)
Bank Loans . . . . .	—	(236,193)	(2,417)	(238,610)
	—	<u>(435,132)</u>	<u>(26,992)</u>	<u>(462,124)</u>

**30 Pension**

The Group operates a defined contribution scheme in the form of a Group Personal Pension Plan for its employees. The assets of the plan are held separately from those of the Group in an independently administered fund. Contributions to the fund made by employees are matched by equal contributions to the fund from the Group. Contributions payable by the Group to the fund in respect of the period ended 24 November 2011 amounted to £264k. At 24 November 2011, there were outstanding contributions of £48k included within creditors.

**31 Acquisitions**

On 21 December 2010 Vue Holdings (UK) Limited acquired Vue Entertainment Holdings (UK) Limited for £459.5m.

**Vue Entertainment International Limited**  
**Notes to the Financial Statements — (continued)**  
**for the period ended to 24 November 2011**

**31 Acquisitions (continued)**

The Company believes that the carrying value of the underlying assets and liabilities on acquisition are the current fair value and these are reflected below.

	<b>Fair value £'000</b>
Tangible fixed assets . . . . .	270,078
Stock . . . . .	2,158
Debtors . . . . .	20,706
Creditors . . . . .	(58,612)
Deferred income . . . . .	(35,122)
Onerous lease . . . . .	(33,331)
Taxation	
— Current . . . . .	(14)
— Deferred . . . . .	4,153
Net assets acquired . . . . .	<u>170,016</u>
<b>Consideration satisfied by:</b>	
Cash consideration (including related fees) . . . . .	459,460
Total Consideration . . . . .	<u>459,460</u>
<b>Goodwill</b> . . . . .	<u>289,444</u>

These items give rise to a permanent timing difference.

There are no fair value adjustments in respect of accounting policies.

The table below shows the results of the acquired business from 26 November 2010 to 21 December 2010.

	<b>£'000</b>
Turnover . . . . .	<u>15,080</u>
Operating loss . . . . .	(921)
Interest . . . . .	(8,510)
Loss on ordinary activities before taxation . . . . .	(9,431)
Taxation . . . . .	456
<b>Retained loss for the period</b> . . . . .	<u>(8,975)</u>

There were no other recognised gains or losses for this period other than those included in the profit and loss account above.

**32 Post Balance Sheet Events**

There are no post balance sheet events.

**33 Ultimate Controlling Party**

The ultimate controlling party is limited partnerships constituting Doughty Hanson & Co V Fund managed by Doughty Hanson & Co.

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**You should rely only on the information contained in this offering memorandum. None of the Issuer or any of the Initial Purchaser 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 the Initial Purchaser is making an offer of the Additional Notes in any jurisdiction where such 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 of this offering memorandum.**

## Table of Contents

	<u>Page</u>
Important Information . . . . .	i
Forward-Looking Statements . . . . .	vi
Certain Definitions . . . . .	viii
Presentation of Financial and Other Information . . . . .	xii
Exchange Rate Information . . . . .	xix
Summary . . . . .	1
Summary Corporate and Financing Structure . . . . .	11
The Offering . . . . .	13
Summary Historical Financial Information and Operating Data . . . . .	19
Risk Factors . . . . .	26
The Transactions . . . . .	51
Use of Proceeds . . . . .	53
Capitalization . . . . .	54
Selected Historical Financial Information . . . . .	55
Management's Discussion and Analysis of Financial Condition and Results of Operations . . . . .	60
Business . . . . .	87
Management . . . . .	103
Principal Shareholders . . . . .	106
Certain Relationships and Related Party Transactions . . . . .	107
Description of Certain Financing Arrangements . . . . .	109
Description of the Notes . . . . .	129
Book-Entry, Delivery and Form . . . . .	197
Certain Tax Considerations . . . . .	201
Certain ERISA Considerations . . . . .	211
Plan of Distribution . . . . .	213
Transfer Restrictions . . . . .	215
Legal Matters . . . . .	219
Independent Auditors . . . . .	219
Where You Can Find More Information . . . . .	219
Service of Process and Enforcement of Civil Liabilities . . . . .	220
Limitations on Validity and Enforceability of the Guarantees and the Collateral and Certain Insolvency Law Considerations . . . . .	225
Listing and General Information . . . . .	270
Index to Financial Statements . . . . .	F-1

## OFFERING MEMORANDUM

# Vougeot Bidco p.l.c.

**€70,000,000 Senior Secured Floating Rate Notes due 2020**



*Global Coordinator and Bookrunner*

**Morgan Stanley**

November 4, 2014