IMPORTANT NOTICE

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

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

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

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

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

Solely for the purposes of the product approval process of each of Goldman Sachs International, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch and UniCredit Bank AG (each, a "**manufacturer**"), the target market assessment in respect of the Notes described in the attached offering memorandum has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in

Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of such Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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

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

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

OFFERING MEMORANDUM | **NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES**

Rebecca BidCo GmbH

€320,000,000 5.75% Senior Secured Notes due 2025

Rebecca BidCo GmbH, organized as a German limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*) (the "**Issuer**"), is offering (the "**Offering**") €320,000,000 aggregate principal amount of 5.75% senior secured notes due 2025 (the "**Notes**") as part of the financing for the proposed acquisition by the Issuer of 76.00% of the share capital and voting rights (ignoring the treasury shares) of RENK Aktiengesellschaft (the "**Target**"). The Issuer is indirectly controlled by Triton (as defined herein). Interest on the Notes will be payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2021. The Notes will mature on July 15, 2025.

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

The Notes will be senior obligations of the Issuer, will rank senior in right of payment to any existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes, will be *pari passu* in right of payment among themselves and with all existing and future obligations of the Issuer that are not subordinated in right of payment to the Notes, including a Super Senior Facilities Agreement (as defined herein) that provides for aggregate borrowings of (i) up to €50.0 million under a cash revolving facility (the "**Cash RCF Facility**") and (ii) up to €167.5 million under a multicurrency revolving letter of guarantee facility (the "**L/G RCF Facility**" and together with the Cash RCF Facility, the "**Super Senior Facilities**") and certain hedging obligations, will be effectively senior to all existing and future indebtedness of the Issuer that is unsecured or secured by liens junior to the liens securing the Notes to the extent of the value of the property and assets securing the Notes, will be effectively subordinated to all existing and future indebtedness of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness, and will be structurally subordinated to all existing and future indebtedness of the subsidiaries of the Issuer that are not Guarantors (as defined herein).

The Issuer will not obtain control of the management of the Target Group (as defined herein), and there will be significant limitations and restrictions on the influence that the Issuer may exercise as shareholders of the Target (including with respect to compliance by the Target and its subsidiaries with the covenants under the Indenture (as defined herein)), unless and until the Control Date (as defined herein) occurs. As a result, there can be no assurance that, prior to the Control Date, the Target and its subsidiaries will not take any action that would otherwise have been prohibited by the covenants under the Indenture had those covenants been applicable.

Pending consummation of the Acquisition (as defined herein), the Initial Purchasers (as defined herein) will, concurrently with the issuance of the Notes on the Issue Date, deposit the gross proceeds from the Offering into an escrow account held in the name of the Issuer (the "**Escrow Account**") but controlled by the Escrow Agent (as defined herein), and pledge on a first-ranking basis in favor of the Trustee on behalf of the holders of the Notes (the "**Escrow Charge**"). The release of the Escrow Proceeds (as defined herein) from the Escrow Account to consummate the Acquisition will be subject to the satisfaction of certain conditions, as described herein. If the Acquisition is not consummated by June 30, 2021 (the "**Escrow Longstop Date**"), or upon the occurrence of certain other events, the Notes will be subject to a "special mandatory redemption." The "special mandatory redemption price" will be a price equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest and additional amounts, if any, from the Issue Date (as defined below) to but excluding the special mandatory redemption date. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*."

On the Issue Date, the Notes will not be guaranteed by any member of the Target Group. Within 30 business days following the Control Date (as defined herein), the Notes will be guaranteed on a senior basis by the Target and any other member of the Target Group (collectively, the "**Guarantors**") that is a guarantor under the Super Senior Facilities Agreement (as defined herein). The Guarantors will also guarantee the Super Senior Facilities on a *pari passu* basis. On the Issue Date, the Notes will be secured by (a) the Escrow Charge, (b) security over the receivables owing to HoldCo or any other indirect parent entity of the Issuer with respect to any structural loans made by it to the Issuer, (c) a pledge over the shares in the Issuer and (d) security with respect to the Issuer's material bank accounts (if any) in Germany and Luxembourg (collectively, the "**Issue Date Collateral**"). At the earlier of (i) the date falling five business days following after the Acquisition Closing Date and (ii) the date on which the Issuer grants such security for the benefit of the Super Senior Facilities, the Issuer will grant a pledge over the shares held by the Issuer in the Target (the "**Post-Acquisition Closing Date Collateral**"). Within 30 business days following the Control Date (as defined herein), the Notes will, subject to the Agreed Security Principles, be secured by (a) a pledge over each Guarantor's material bank accounts in certain covered jurisdictions, (b) security over any material structural intercompany receivable owed by such Guarantor, and (c) pledges over the shares in each Guarantor (collectively, the "**Post-Control Date Collateral**" and, together with the Issue Date Collateral and the Post-Acquisition Closing Date Collateral, the "**Collateral**"). The Collateral (except for the Escrow Charge) will also secure on a first-ranking basis the Super Senior Facilities and certain hedging obligations. Under the terms of the Intercreditor Agreement (as defined herein), proceeds received upon an enforcement of certain distressed disposals of the Collateral will be paid to the lenders under the Super Senior Facilities and certain hedging counterparties, if any, in priority to the holders of the Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." The Guarantees and the security interests over the Collateral will be subject to certain significant contractual and legal limitations or subject to certain defenses under applicable law. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance requirements and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.*" The Guarantees and the security interests over the Collateral may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—There are circumstances other than repayment or discharge of the Notes, under which the Collateral and the Guarantees may be released automatically, without your consent or the Trustee.*"

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

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

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 27.

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

Issue Price: 100.0% plus accrued interest, if any, from the issue date.

Global Coordinators and Joint Bookrunners

Goldman Sachs International | **Commerzbank** | **Credit Suisse**

Deutsche Bank | **UniCredit Bank**

The date of this offering memorandum is July 2, 2020.

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NOTICE TO INVESTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTICE TO EEA INVESTORS

European Economic Area

The Notes are not intended to be offered, distributed, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. No key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared. Selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation. The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

Professional investors and eligible counterparties only target market

Solely for the purposes of the product approval process of each of Goldman Sachs International, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch and UniCredit Bank AG (each, a "**manufacturer**"), the target market assessment in respect of the Notes described in this offering memorandum has led to the conclusion that: (i) the target market for such Notes is eligible counterparties and professional clients only, each as defined in MiFiD II; and (ii) all channels for distribution of such Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Germany

The Notes may be offered and sold in the Federal Republic of Germany only in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) (the "**German Securities Prospectus Act**"), as amended, the Commission Regulation No (EC) 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 approved under the German Securities Prospectus Act or the Prospectus Regulation and, accordingly, the Notes may not be offered publicly in the Federal Republic of Germany. The Notes will be offered in the Federal Republic of Germany in reliance on an exemption from the requirement to publish an approved securities prospectus under the German Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws. The Issuer has not filed and does not intend to file a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**") or obtain a notification to BaFin from another competent authority of a member state of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17 (3) of the German Securities Prospectus Act.

United Kingdom

Members of the public are not eligible to take part in this Offering. This offering memorandum is for distribution only to persons who (a) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), (b) are persons falling within Article 49(2)(a) to (d) ("high net worth companies," "unincorporated associations," etc.) of the Financial Promotion Order, (c) are outside the United Kingdom, or (d) 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 ("**FSMA**") in connection with the issue or sale of the Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Recipients of this offering memorandum are not permitted to transmit it to any other person. Persons distributing this offering memorandum must satisfy themselves that it is lawful to do so. The Notes are not being offered to the public in the United Kingdom.

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

FORWARD-LOOKING STATEMENTS

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

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

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

- maintaining an effective system of internal controls;
- property loss and unforeseen business interruption;
- the forward-looking industry and market information presented in this offering memorandum; and
- other factors discussed in "*Risk Factors*."

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

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

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

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

CERTAIN DEFINITIONS

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

- "**Acquisition**" refers to the acquisition by the Issuer of shares in the Target under the Acquisition Agreement, as further described under "*Summary—The Transactions—The Acquisition*;"
- "**Acquisition Agreement**" refers to the share purchase agreement, including any schedules and/or annexes attached thereto, entered into between the Issuer and Volkswagen Vermögensverwaltungs-GmbH, the parent of the Target, on January 30, 2020;
- "**Acquisition Closing Date**" refers to the date on which the Acquisition is completed;
- "**Collateral**" refers to, collectively, the Issue Date Collateral, the Post-Acquisition Closing Date Collateral and the Post-Control Date Collateral as described under "*Summary—The Offering—Collateral*," other than the Escrow Charge, as applicable;
- "**Company**" "**RENK AG**" or "**Target**" refers to RENK Aktiengesellschaft, a German stock corporation (*Aktiengesellschaft—AG*);
- "**Control Date**" refers to the earliest of (i) the date on which the Domination Agreement is registered in the commercial register of the Target, (ii) the date upon which the Target is converted into a German limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*), and (iii) the date upon which the Target is merged into the Issuer pursuant to a merger related Squeeze-Out or the Target shares of any holder who is not the Issuer or an affiliate of the Issuer are acquired pursuant to a Squeeze-Out;
- "**Domination Agreement**" refers to the domination and profit and loss pooling agreement (*Beherrschungs- und Gewinnabführungsvertrag*) which may be entered into between the Target, as dominated entity, and the Issuer, as dominating entity, following the Acquisition Closing Date, as further described under "*Summary—The Transactions—The Acquisition*;"
- "**Equity Commitment Letter**" refers to the letter delivered on or about the Issue Date by the Sponsor to the Issuer, pursuant to which the Sponsor will agree to contribute to the Escrow Account an amount necessary to, among other things, fund the accrued and unpaid interest accrued on the Notes and additional amounts, if any, from the Issue Date to, but excluding the special mandatory redemption date;
- "**Equity Contribution**" refers to the investment to be made by the Sponsor in the form of equity capital and/or shareholder loans or similar instruments in the Issuer on or prior to the Acquisition Closing Date for purposes of financing, together with the proceeds from the Offering, the Acquisition, as further described under "*Summary—The Transactions—The Acquisition*;"
- "**Escrow Account**" refers to the escrow account into which the gross proceeds of the offering of the Notes will be deposited on the Issue Date;
- "**Escrow Agent**" refers to Deutsche Bank AG, London Branch;
- "**Escrow Agreement**" refers to the escrow agreement to be dated on or prior to the Issue Date, by and among the Issuer, the Escrow Agent and the Trustee;
- "**Escrow Charge**" refers to the escrow charge, dated on or about the Issue Date, under which the Issuer will grant a security interest over the Escrow Account to the Trustee on behalf of the holders of the Notes;
- "**Escrow Longstop Date**" refers to June 30, 2021;
- "**Escrow Proceeds**" refers to the gross proceeds from the Offering deposited into the Escrow Account. The term "Escrow Proceeds" shall include all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account (*less* any property and/or funds paid in accordance with the Escrow Agreement);
- "**Group**" or "**RENK**" refers to RENK AG together with its subsidiaries, including the Issuer from the Acquisition Closing Date;
- "**Guarantors**" refers to the Guarantors as described under "*Summary—The Offering—Guarantees*;"

- "**Guarantees**" refers to the Guarantees under the Notes as described under "*Summary—The Offering—Guarantees*;"
- "**HoldCo**" refers to Rebecca FinCo GmbH, a German limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*);
- "**Horstman**" refers to the consolidated members of the Horstman Group (as defined below): Horstman Holdings Ltd., Horstman Defence Systems Ltd. and Horstman, Inc.;
- "**Horstman Group**" refers to the armored vehicle suspension systems provider Horstman Holdings Ltd., Horstman Defence Systems Ltd., Horstman, Inc. and Horstman Systems Inc.;
- "**IAS**" refers to International Accounting Standards;
- "**IFRS**" refers to International Financial Reporting Standards as adopted by the European Union;
- "**Initial Purchasers**" refers to Goldman Sachs International, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch and UniCredit Bank AG;
- "**Intercreditor Agreement**" refers to the intercreditor agreement to be dated on or about the Issue Date among, *inter alios*, the Issuer and any other entity which has acceded or accedes to the intercreditor agreement as a debtor, the Security Agent, the Trustee, the lenders under the Super Senior Facilities Agreement and the agent under the Super Senior Facilities Agreement, as confirmed and/or amended from time to time which is described in more detail under "*Description of Certain Financing Arrangements—Intercreditor Agreement*;"
- "**Issuer**" refers to Rebecca BidCo GmbH;
- "**Issue Date**" refers to the date of original issuance of the Notes;
- "**Issue Date Collateral**" refers to the security interests as described under "*Summary—The Offering—Collateral*;"
- "**LCC**" refers to leading cost country;
- "**MiFiD II**" refers to Article 4(1) of Directive 2014/65/EU;
- "**MoD**" refers to ministry of defense;
- "**Modest Tree**" refers to the software company Modest Tree Media Inc., Halifax, Canada in which RENK Holding Canada Inc., Toronto, Canada acquired 17.54% of shares effective August 23, 2019;
- "**Notes**" refers to the €320,000,000 aggregate principal amount of senior secured notes due 2025 offered pursuant to this offering memorandum and to be issued on the Issue Date;
- "**Offering**" refers to the offering of the Notes contemplated by this offering memorandum;
- "**OEM**" refers to original equipment manufacturers;
- "**Order Backlog**" refers to order backlog at the end of the period which represents with respect to binding customer contracts and purchase orders concluded and/or received the portion of the associated transaction price for which the amount of sales revenue has not yet been recognized in accordance with IFRS;
- "**Order Intake**" refers to binding customer contracts and purchase orders concluded and/or received in the respective reporting period at the respective price;
- "**Post-Acquisition Closing Date Collateral**" refers to the security interests as described under "*Summary—The Offering—Collateral*;"
- "**Post-Control Date Collateral**" refers to the security interests as described under "*Summary—The Offering—Collateral*;"
- "**Purchase Agreement**" refers to the purchase agreement to be dated on or about the Issue Date among the Issuer and the Initial Purchasers;"
- "**R&D Costs**" refers to research and development costs as described under "*Summary—Strengths*;"
- "**Seller**" refers to Volkswagen Vermögensverwaltungs-GmbH;

- "**Shareholder Loan I**" refers to the (long-term) shareholder loan in an amount of €46.0 million to be extended by Triton to the Issuer in connection with the Transactions as described under "*Certain Relationships and Related Party Transactions—Shareholder Loan I;"*
- "**Shareholder Loan II**" refers to the (short-term) shareholder loan in an amount of €40.0 million to be extended by Triton to the Issuer in Connection with the Transactions as described under "*Certain Relationships and Related Party Transactions—Shareholder Loan II;"*
- "**Shareholder Loans**" refers to, collectively, the Shareholder Loan I and the Shareholder Loan II;
- "**Sponsor**" or "**Triton**" refers to those investment funds managed and/or advised by Triton Investment Management Limited or any of its affiliates from time to time;
- "**Squeeze-Out**" refers to a potential launch of a squeeze-out procedure to acquire shares in the Target from minority shareholders pursuant to the German Stock Corporation Act (*Aktiengesetz—AktG*), the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz—WpÜG*) or the German Transformation Act (*Umwandlungsgesetz—UmwG*);
- "**Super Senior Facilities Agreement**" refers to the (i) €50.0 million revolving credit facility (the "**Cash RCF Facility**") and (ii) the €167.5 million multicurrency revolving letter of guarantee facility ("**L/G RCF Facility**" and together with the Cash RCF Facility, the "**Super Senior Facilities**") under the Super Senior Facilities Agreement to be dated on or about the Issue Date, among, *inter alios*, the Issuer, as original borrower and the lenders named therein (as amended and restated from time to time) and to be acceded by the Target and certain of its subsidiaries as additional borrowers and additional guarantors, as applicable, in accordance with the terms under the Super Senior Facilities Agreement, as further described in the "*Description of Certain Financing Arrangements—Super Senior Facilities—Cash RCF Facility*" and "*Description of Certain Financing Arrangements—Super Senior Facilities—L/G RCF Facility*;"
- "**Target Group**" refers to the Company together with its consolidated subsidiaries;
- "**Target Shares**" refers to the no-par-value bearer shares of the Target;
- "**Third Party Report**" refers to a third party industry report prepared by an international consulting firm commissioned by Triton, including the underlying sources and data used for the preparation of such report;
- "**Transactions**" refers to the Acquisition, the extension of the Shareholder Loans, the entering into the Super Senior Facilities Agreement and the Offering, including the application of the proceeds therefrom as set out under "*Use of Proceeds*;" and
- "**US Securities Act**" refers to the US Securities Act of 1933, as amended.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

The Issuer was incorporated in connection with the Transactions. As of the date of this offering memorandum, the Issuer is a holding company with no revenue-generating activities of its own, and does not have any business operations or material assets (other than, upon completion of the Acquisition, its shareholding in the Target). See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Issuer is a holding company dependent upon cash flows from its subsidiaries to meet its obligations on the Notes.*" As a result, no financial information of the Issuer is included in this offering memorandum, except for certain limited "as adjusted" financial data presented on a consolidated basis as adjusted to reflect certain effects of the Transactions.

The audited consolidated financial statements, including the related notes thereto, of RENK Aktiengesellschaft ("**RENK AG**") as of and for the fiscal years ended December 31, 2018 (with comparative financial information as of and for the fiscal year ended December 31, 2017) and 2019 (with comparative financial information as of and for the fiscal year ended December 31, 2018), included in this offering memorandum have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**"). The audited consolidated financial statements of RENK AG as of and for the fiscal years ended December 31, 2018 and 2019, along with the auditor's reports of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("**PwC**") with respect thereto, and the unaudited condensed consolidated interim financial statements as of and for the three months period ended March 31, 2020 (with comparative financial information for the three months period ended March 31, 2019), which have been prepared in accordance with IFRS as applicable for interim reporting (IAS 34), are included in this offering memorandum.

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

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

The financial information for the twelve months period ended March 31, 2020, is unaudited and has been calculated by taking the consolidated income statement information of RENK AG for the three months period ended March 31, 2020, and adding it to the difference between the consolidated income statement information of RENK AG for the year ended December 31, 2019, and the consolidated income statement information of RENK AG for the three months period ended March 31, 2019. The financial information for the twelve months period ended March 31, 2020, is not required by or presented in accordance with IFRS or any other generally accepted accounting principles and has been prepared for illustrative purposes only. This information is not necessarily representative of the Target Group's results of operations for such a period or any future period or any financial position at any past or future date. The financial information for the twelve months period ended March 31, 2020, has not been audited or reviewed by any auditor in accordance with any generally accepted accounting standards.

This offering memorandum includes certain financial information for the twelve months period ended March 31, 2020 on an adjusted basis to give *pro forma* effect to the Transactions and the application of the proceeds therefrom, as adjusted to reflect the effect of the Transactions on indebtedness as if the Transactions had occurred on March 31, 2020 and on interest expense as if the Transactions had occurred on April 1, 2019. The *pro forma* financial information as of and for the twelve months period ended March 31, 2020, has been prepared for illustrative purposes only and does not represent what RENK AG's indebtedness or interest expense would have been had the Transactions occurred on March 31, 2020, or April 1, 2019, respectively; nor does it purport to project RENK AG's indebtedness or interest expense at any future date. The *pro forma* financial information as of and for the twelve months period ended March 31, 2020, has not been prepared in accordance with IFRS or any other generally accepted accounting principles. Neither the assumptions underlying the *pro forma* adjustments nor the resulting *pro forma* financial information as of and for the twelve months period ended March 31, 2020, have been audited or reviewed by any auditor in accordance with any generally accepted auditing standards.

From January 1, 2019, RENK AG applied IFRS 16 Leases which has an impact on its reported income statement, as well as statements of financial position and of cash flow. In implementing IFRS 16, RENK AG selected the modified retrospective approach as the transition method, which means that the comparison figures for 2018 and earlier periods are not restated, and thus not comparable. In order to facilitate a comparison between periods, the details of the income statement and statement of financial position items affected by the implementation of IFRS 16 are summarized in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Accounting Standards Adopted During the Period*."

The accounting standards IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" took effect as of January 1, 2018.

IFRS 9 changes the accounting requirements for classifying and measuring financial assets, for impairment of financial assets, and for hedge accounting. IFRS 15 specifies new accounting rules for revenue recognition. For both accounting standards, the Target Group applied the modified retrospective transition method, which means that the comparison figures for 2017 are not restated, and thus not comparable. In order to facilitate a comparison between periods, please refer for further details on the impacts on specific financial statement line items to Note 3 and 5 within the consolidated financial statements for the year ended December 31, 2018.

In the future, the Target expects to report its financial results and condition at the level of the Issuer after completion of the Acquisition. The financial information of the Target in this offering memorandum have not been adjusted to reflect the impact of any changes that might occur as a result of purchase price allocation effects to be applied as a result of the Transactions. However, the Issuer will account for the Transactions using the acquisition method in accordance with IFRS 3 "*Business Combinations*" and will apply purchase price allocation effects in connection with the Transactions to the financial statements for accounting periods subsequent to the Acquisition Closing Date. The application of purchase accounting could result in different carrying values for existing assets and assets it may add to its statement of financial position, which may include intangible assets, such as goodwill, leasehold rights and software, and different amortization and depreciation expenses. Due to these and other potential adjustments, the Issuer's future financial statements could be materially different once the adjustments are made and may not be comparable to the Target's historical consolidated financial statements included elsewhere in this offering memorandum.

Non-IFRS Financial Measures

This offering memorandum contains non-IFRS measures including EBITDA, EBITDA Margin, Capital Expenditure, Free Cash Flow, Cash Conversion, Net Working Capital (unaudited) and leverage ratios that are not required by, or presented in accordance with, IFRS. These non-IFRS measures are defined as follows:

- "**Capital Expenditure**" is shown as payments to acquire property, plant and equipment and intangible assets in the Target Group's consolidated statement of cash flows.
- "**Cash Conversion**" is defined as Free Cash Flow (as defined below) divided by EBITDA.
- "**EBITDA**" is defined as operating profit before depreciation, amortization and impairment losses on intangible assets and property, plant and equipment.
- "**EBITDA Margin**" is defined as EBITDA divided by sales revenue.
- "**Free Cash Flow**" is defined as EBITDA minus Maintenance Capital Expenditures (as defined below).
- "**Maintenance Capital Expenditure**" is defined as the aggregate amount of capital expenditures minus capital expenditures for specifically dedicated growth or expansion projects.
- "**Net Working Capital**" is defined as the sum of inventories and trade receivables less trade payables and contract liabilities excluding liabilities from customer prepayment receivables.

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

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

Financial Data and Other Data

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

INDUSTRY AND MARKET DATA

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

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

TRADEMARKS AND TRADE NAMES

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

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

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

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

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

The Bloomberg Composite Rate of the euro at close of business on July 1, 2020 was $1.1264 per €1.00.

	Period end	Average	High	Low
	US dollars per €1.00			
Year				
2015	1.0866	1.1032	1.1288	1.0560
2016	1.0547	1.1069	1.1527	1.0384
2017	1.2022	1.1297	1.2026	1.0427
2018	1.1469	1.1809	1.2509	1.1218
2019	1.1229	1.1195	1.1533	1.0903
Month				
January 2020	1.1083	1.1099	1.1195	1.1005
February 2020	1.1001	1.0905	1.1059	1.0792
March 2020	1.0971	1.1052	1.1463	1.0667
April 2020	1.0937	1.0867	1.0965	1.0787
May 2020	1.1098	1.0902	1.1098	1.0782
June 2020	1.1243	1.1259	1.1362	1.1130

SUMMARY

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

OVERVIEW

The Group is a leading global manufacturer of high quality automatic transmissions, gear units, slide bearings, suspension systems, couplings, and test systems. It serves a diverse range of end-markets with a particular focus on armored vehicles, defense and civil marine, energy generation, cement production, plastics production, oil & gas, and other industries. The Group's products are, in many cases, mission-critical to its customers' end-products and require high quality and reliability. As a result, the Group is a trusted supplier of premium products and is involved at all critical stages of its customers' value chain, from engineering, to commissioning and aftermarket services. Long-term contracts in certain of its business units, in particular vehicle transmissions and Navy gearboxes, together with recurring revenue streams from the Group's aftermarket business, provide stability of its sales revenues and profitability as well as a natural hedge during economic downturns. For the twelve months period ended March 31, 2020, the Target Group generated sales revenue of €575 million and EBITDA of €87 million.

The Group operates through four business units: Vehicle Transmissions, Special Gear Units, Standard Gear Units and Slide Bearings, which also represent the segments of the Group.

The *Vehicle Transmissions* business unit is one of the leading producers of fully automatic transmissions for medium- and heavy-weight tracked vehicles according to the Third Party Report as well as a producer of test rigs for various industrial end-markets. On April 16, 2019, the Target acquired the Horstman Group, a provider of armored vehicle suspension systems, which also added manufacturing capabilities in the United Kingdom and the United States in addition to this business unit's existing production operations in Germany and France. In the fiscal year ended December 31, 2019, 40.9% of the Target Group's sales revenue with third parties and 72.1% of its operating profit (before consolidation) were generated by its Vehicles Transmissions business unit.

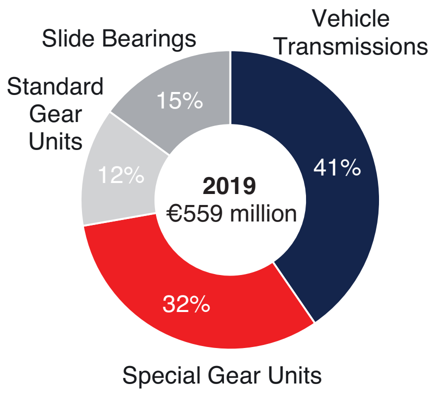
The *Special Gear Units* business unit comprises of the production of large gear units, ranging from stationary gear units for a variety of industrial applications to high-speed gear units mainly for the oil & gas sector and complex gear units for fast ferries, mega-yachts and naval applications. According to the Third Party Report, the Group is a global leader in naval applications and gear systems for combined propulsion systems. In the fiscal year ended December 31, 2019, 32.0% of the Target Group's sales revenue with third parties and 10.3% of its operating profit (before consolidation) were generated by the Special Gear Units business unit.

The *Standard Gear Units* business unit specializes in the production of marine gearboxes for merchant ships, ferries, LNG/LPG tankers, and other specialty ships, as well as stationary gearboxes and couplings for energy generation, oil & gas, and other industrial applications. This business unit is a technology player with a market leading position for large single and twin engine marine gear units. In the fiscal year ended December 31, 2019, 12.2% of the Target Group's sales revenue with third parties and 1.7% of its operating profit (before consolidation) were generated by the Standard Gear Units business unit.

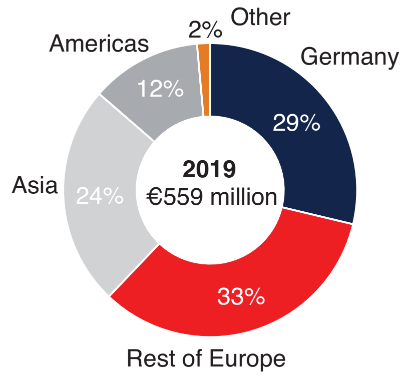
The *Slide Bearings* business unit primarily supplies hydro-dynamically lubricated slide bearings used in electric motors, generators, pumps, blowers, water turbines, conveyors and marine applications. The Group believes it is the global leader in E-bearings for electrical machines with a global distribution network. In the fiscal year ended December 31, 2019, 14.9% of the Target Group's sales revenue with third parties and 15.9% of its operating profit (before consolidation) were generated by its Slide Bearings business unit.

The charts below provide an overview of the Target Group's sales revenue with third parties by business unit and split by geography for the fiscal year ended December 31, 2019:

Sales revenue with third parties by business unit



Split by geography



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

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

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

Headquartered in Augsburg, Germany, the Group operates seven production sites and 13 branch offices around the world. Its production sites are located in Germany (Augsburg, Rheine, Hanover), Switzerland (Winterthur), France (Saint-Ouen-l'Aumône), the United Kingdom (Bath) and the United States (Sterling Heights). As of March 31, 2020, the Target Group had 2,563 employees (including consolidated entities only), of which 2,198 were located in Germany.

STRENGTHS

The Group believes it benefits from the following competitive strengths.

Global technology and innovation leader supplying mission-critical components and systems.

The Group is an industry leading supplier of high quality automatic transmissions, gear units, suspension systems, slide bearings, couplings, and test systems, serving a diverse range of industries and end-markets. The Group is an innovation leader with superior technical capabilities and a supplier of high quality components. The Group maintains leading positions across its core markets in highly specialized product categories with a unique product offering. According to the Third Party Report, each of the Group business units is among the top four providers in its respective addressable markets in terms of market share measured by revenue. According to the Third Party Report, the Vehicle Transmissions business unit is a leading producer of fully automatic transmissions for medium- and heavy-weight tracked vehicles, the Special Gear Units business unit is a global leader in naval applications, including gear systems for combined propulsion systems, and the Standard Gear Units business unit holds market leading positions in large single and twin engine marine gearboxes. The Group also believes that the Slide Bearings business unit is the global leader in E-bearings for electrical machines.

The Group's products are, in many cases, mission-critical to its customers' respective end-products and require the highest quality and reliability. Superior product quality, engineering capabilities, customer integration and innovation are therefore key to its business model and paramount to its success. The Group believes its strong innovation capabilities and technology leadership are among its key competitive strengths and that its product innovations have formed the backbone of its success for many decades. Moreover, the Group's commitment to the highest industry quality and technological standards are underlined by its innovation pipeline and its continuous investments in R&D and technology to remain an innovation leader in its end-markets and sectors. The Group's ability to innovate is supported by more than 300 people dedicated to R&D and design and is demonstrated by a large innovation pipeline of new products supporting future growth. The Target Group incurred €13.7 million in research and development costs ("**R&D Costs**") in the fiscal year ended December 31, 2019 for the development of new and existing products and technology. In addition, the Target Group conducts similar R&D activities on an order-specific basis depending on its customers' demands and needs. These costs are recognized within the Target Group's cost of sales and are assigned to the respective customer order. These costs amounted to about double the Target Group's R&D Costs during the fiscal year ended December 31, 2019. In addition, the Group has established close co-operations with its customers and universities and has access to a broad network of relevant associations (*e.g.,* VDMA, FVA) in order to be able to closely follow and shape technological developments.

Diversified end-markets with overall positive underlying growth trends.

The Group serves a diverse range of end-markets with its products, including, in particular, armored tracked vehicles, marine (Navy and civil) applications, energy generation and the cement and oil & gas industries. As a result, the Group generates approximately half of its sales revenue from customers active in the defense sector, which has historically provided it with stable revenue streams based on strong order books and long-term contracts.

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

Significant growth in addressable defense markets is also expected due to the general need for modernization. The vehicle transmissions market for both new transmission units and aftermarket offerings in the Group's current and additional addressable geographies is attractive with an estimated volume of approximately €500 million according to the Third Party Report. The same report estimates the currently and additionally addressable market to grow at approximately 10 to 11% per annum until 2024. In addition, aging military fleets and long order times are directly leading to higher maintenance requirements and spend. On April 16, 2019, the Target acquired the Horstman Group, a provider of suspension systems for armored vehicles, which also added manufacturing capacity in the United Kingdom and the United States while also improving its access to new defense end-markets. A current project in the United States combined with certain localization strategies and the Target's acquisition of the Horstman Group, increases the potential for the Group to also enter the US market for vehicle transmissions, which to date it could not access.

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

Long-term contracts in defense segments, in particular vehicle transmissions and Navy gearboxes, together with recurring revenue streams from the Group's aftermarket business, provide stability of its sales revenues and profitability as well as a natural hedge during potential economic downturns. Furthermore, the industries the Group's products serve and the companies active in those industries follow different economic cycles and pursue investment strategies at different times, which also contributes to a degree of cash flow stability and, the Group believes, helps to limit its exposure to adverse macroeconomic changes in any particular market segment.

Growing installed product base with further growth potential in high-margin aftermarket service offerings.

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

The Group's longstanding leading market positions have allowed it to achieve a large and growing installed base, which provides the Group with the potential for recurring and stable revenue streams. Moreover, the Group believes further penetration, particularly of its own installed base, provides further upside for its aftermarket revenue. The Group believes its aftermarket offering delivers high quality products and services, is strategically located in close proximity to its core addressable markets and customers, benefits from strong relationships with OEMs and end-customers as well as very knowledgeable field service engineers with strong technical capabilities.

Long-standing and close relationships with customers (including blue-chip OEMs and government agencies) driven by long product life-cycles.

The Group has a diverse and loyal customer base characterized by long-standing customer relationships with blue-chip OEMs, including Fincantieri, General Dynamics, GE, KMW, Lockheed Martin, Rheinmetall, and Siemens, as well as government agencies, primarily in the defense sector, including the Bundeswehr, Israel Ministry of Defense ("**MoD**") and French Armée de Terre. The Group believes it is a trusted supplier of premium products and maintains deeply integrated relationships with its customers whom it supports over long product lifecycles based on its ability to deliver superior quality as well as reliable custom-made solutions. The Group also believes it is well-positioned to leverage its strong project pipeline and to win further business. The pipeline for the Vehicles Transmissions business unit is backed by ongoing projects as well as new programs currently under development. The Group believes it has strong visibility over the medium term for projects with a high probability and that its strong market position and presence in many of the most relevant armored vehicle platforms increases the likelihood of winning further lots and new platforms. Platform projects ensure long-term and predictable revenue and earning streams.

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

Well-invested and global operational footprint with fully integrated engineering and production capabilities.

The Group's global footprint includes seven production sites and 13 branch offices around the world. The Group's production sites are located in Germany (Augsburg, Rheine, Hanover), Switzerland (Winterthur), France (Saint-Ouen-l'Aumône), the United Kingdom (Bath) and the United States (Sterling Heights). The

Group has been present in many of its locations for many years and it is continuing to expand, particularly in markets where meeting local content requirements will further increase its chances of winning new projects. The Group has assembly or production facilities in close proximity to its customers in order to allow for short lead times, where required. The Group owns and operates well-invested manufacturing facilities with modern machinery setups, and the Group's production sites have fully-integrated engineering and production capabilities. For example, in 2018 and 2019, the Target Group established a logistics center in Oberottmarshausen, Germany, commenced its significant capacity expansion program in Augsburg and invested in the acquisition of the Horstman Group and a participation in Modest Tree.

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

Attractive margin and free cash flow profile with high visibility on earnings development.

The Target Group maintains an attractive margin and Free Cash Flow profile with high earnings visibility, as shown by its strong sales revenue growth during the period under review, its Free Cash Flow generation, Cash Conversion and its significant Order Backlog. The Target Group's sales revenue increased from €469 million for the fiscal year ended December 31, 2017 to €502 million and €559 million for the fiscal years ended December 31, 2018 and 2019, respectively, mainly driven by the acquisition of Horstman and growth in the Target Group's aftersales and services businesses. Over the same period, the Target Group's EBITDA margin decreased from 16.8% (for the fiscal year ended December 31, 2017) to 15.0% (for the fiscal year ended December 31, 2019) mainly due to increasing price pressures in certain industrial applications, the phase-out of the business of wind gearboxes in the Standard Gear Units business unit and a warranty case in the Special Gear Units business unit.

Over the same period, the Target Group also increased its Free Cash Flow (calculated as EBITDA less Maintenance Capital Expenditures). The Target Group generated Free Cash Flow of €60 million in the fiscal year ended December 31, 2017 and €55 million and €64 million in the fiscal years ended December 31, 2018 and 2019, respectively, with Cash Conversion amounting to 76.1%, 69.7% and 76.3%, respectively.

The Group believes its future performance is supported by its strong Order Backlog, which creates high visibility on future earnings development. For the fiscal year ended December 31, 2019, the Target Group's Order Backlog amounted to €821 million, including €474 million in the Vehicle Transmissions business unit, €269 million in the Special Gear Units business unit, €55 million in the Standard Gear Units business unit and €31 million in the Slide Bearings business unit. The Vehicles Transmission business unit and Navy gearboxes from the Special Gear Units business unit are the largest contributors to the Group's total Order Backlog due to the long project lead times in defense applications. There are generally shorter lead times in commercial applications served by the Special Gear Units, Standard Gear Units and Slide Bearings business units. The Group's strong and growing Order Backlog will secure future revenue generation over the coming years.

Proven management team with significant industry experience.

The Company's management team has significant industry experience and the expertise to lead the Group's future growth strategy as it has demonstrated strong leadership and its ability to execute corporate strategies. The executive board is supported by experienced business unit management teams, which, in turn, are further supported by strong local teams. This management team is very experienced with more than 25 years of relevant industry experience on average. The Chief Executive Officer and Chief Financial Officer were appointed in 2007 and 2015, respectively, and have been instrumental to the growth of the business. The Company believes that the industry knowledge and leadership skills of its management team, combined with its long-term management experience, provides it with a significant competitive advantage and also positions it favorably for profitable future growth.

Following the consummation of the Acquisition, the Company intends to draw from the market expertise, business relationships, knowledge and experience of its Sponsor. The Sponsor has strong industrial manufacturing expertise and a strong track record of driving cost savings and improvements in margin, while at the same time growing its portfolio companies both organically and through targeted acquisitions.

STRATEGY

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

Vehicle Transmissions

The Group remains focused on expanding its strong positions with customers in existing markets and on continuing to enter and expand in new markets through strategic partnerships and local production capabilities. The Group is also continuing to expand its presence in the US market with the acquisition of Horstman being a significant step in that direction. The Group expects its product innovations to support its expansion, which include amongst others autonomous driving (drive-by-wire) solutions for armored vehicles, integrated mobility solutions combining engines, transmission, final drives and / or suspensions, and state-of-the-art hydro-pneumatic and active suspension solutions. The Group is also in the process of further expanding and realigning the production and assembly of Vehicle Transmissions to optimize costs. Additionally, the Group aims to expand its aftersales business, including through an increase of its installed base and an even more pro-active service approach.

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

Special Gear Units

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

Standard Gear Units

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

Slide Bearings

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

THE TRANSACTIONS

The Acquisition

On January 30, 2020, the Issuer and Volkswagen Vermögensverwaltungs-GmbH, the parent of the Target, entered into a share purchase agreement (the "**Acquisition Agreement**") for the acquisition and the transfer of 5,320,000 no-par-value bearer shares of the Target (the "**Target Shares**") currently held by Volkswagen Vermögensverwaltungs-GmbH (representing 76.00% of the share capital and the voting rights (ignoring the Target's treasury shares) of the Target) against payment of a purchase price of €97.80 per sold Target Share (the "**Acquisition**").

On March 10, 2020, the Issuer, a holding company controlled by the Sponsor, published the offer documents for its voluntary public takeover offer (*freiwilliges öffentliches Übernahmeangebot*) (the "**Takeover Offer**") to the shareholders of the Target (the "**Target Shareholders**") for the purchase of all Target Shares not held directly by Volkswagen Vermögensverwaltungs-GmbH, each Target Share representing a proportionate amount of €2.56 of the share capital of the Target, against payment of a cash consideration in the amount of €106.20 per Target Share (the "**Offer Consideration**"). The Offer Consideration per Target Share applies to all Target Shares of the Target Shareholders including all ancillary rights, in particular the right to dividends, existing at the time of the Takeover Offer. At the expiry of the additional acceptance period for the Takeover Offer on June 8, 2020, holders of approximately 15.07% of the Target Shares had accepted the Takeover Offer. The Acquisition and the Takeover Offer are subject to certain customary offer conditions, including, in particular, the receipt of merger control, other regulatory clearances (in multiple jurisdictions) and lack of shareholders' resolutions regarding certain corporation actions including capital increase and change of the Target's articles of association. The aggregate purchase price for the Target Shares pursuant to the Takeover Offer amounts to €112,059,160 and will be funded by equity contributions from the Sponsor in the form of equity capital and/or shareholder loans or similar instruments. The holders of tendered Target Shares have a right to withdraw from the contracts resulting from the acceptance of the Takeover Offer until the close of stock exchange trading on the day on which a publication is made that all Takeover Offer conditions have been fulfilled (so far as they were not been validly waived in advance) or that a Takeover Offer has definitely lapsed (the "**Withdrawal Rights**").

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

- investment from the Sponsor in the form of equity capital and/or shareholder loans or similar instruments totaling an estimated €261 million (including the Shareholder Loan II as defined herein), the proceeds of which have been or will be contributed to the Issuer through intermediate holding companies (the "**Equity Contribution**"); and
- the issuance of the Notes.

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

Sources	in € million	Uses	in € million
Notes offered hereby(1)	320.0	Acquisition consideration(3)	520.0
Equity Contribution(2)	241.0	Transaction costs(4)	41.0
Total Sources	**561.0**	**Total Uses**	**561.0**

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

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

(3) Purchase consideration for the Seller's 76.00% stake, for the avoidance of doubt, not including any Offering Consideration to be paid to any Target Shareholders in connection with the Takeover Offer.

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

Following the Acquisition Closing Date, the Issuer plans to conclude a domination and profit and loss transfer agreement pursuant to Sections 291 *et seq*. of the German Stock Corporations Act (*Aktiengesetz—AktG*) with the Target, as dominated entity, and the Issuer, as dominating entity (the "**Domination Agreement**").

Under the Domination Agreement, the Issuer or one of its affiliates would be entitled to: (i) instruct the Executive Board even if such instructions are not in the best interest of the Target (for example, to cause the Target Group to grant upstream guarantees and/or security or to push down indebtedness into the Target Group); and (ii) receive 100% of the Target's distributable profits in any year regardless of its shareholding in the Target, provided that it also balances any annual losses of the Target.

Upon the effectiveness of the Domination Agreement (*i.e.*, registration with the commercial register of the Target), the dominating entity (*i.e.*, the Issuer) is obliged to offer to any minority shareholders the option to (i) sell and transfer their shares to the dominating entity (*i.e.*, the Issuer) until a certain date (at the earliest two months after registration of the Domination Agreement with the commercial register) in exchange for adequate compensation (the amount of which is determined in accordance with German law) or (ii) receive a guaranteed annual payment (the amount of which is determined in accordance with German law) from the dominating entity. Both the amount of the adequate compensation payment and the guaranteed annual payment may be contested by minority shareholders in appraisal proceedings, though the Domination Agreement would still become effective regardless of ongoing appraisal proceedings. See "*Risk Factors—Risks Related to the Acquisition—The Issuer does not currently control the Target Group and will not control the Target Group until the Control Date*."

Under German corporate law, implementation of a Domination Agreement requires approval by a supermajority of 75% of the share capital represented at the general shareholder meeting. Following the completion of the Takeover Offer, the Issuer is expected to hold 91.07% of the Target's issued share capital, subject to Withdrawal Rights. Based on the Acquisition Agreement concluded between the Issuer Volkswagen Vermögensverwaltungs-GmbH, the Issuer will own at least 76.00% of the Target Shares. Irrespective of the number of tendered Target Shares in the Takeover Offer, the Issuer will therefore have the necessary majority of votes in the general shareholders' meeting of the Target to conclude a Domination Agreement. The Issuer plans to enter into the Domination Agreement as soon as reasonably practicable after the Acquisition Closing Date and expects the Domination Agreement to become effective within seven to nine months thereafter. However, there can therefore be no assurances that a Domination Agreement will be implemented at all. See "*Risk Factors—Risks Related to the Acquisition—The Issuer does not and may not in the future, own all of the outstanding shares in the Target, and there can be no assurance that a Domination Agreement will be approved.*"

Insofar as the Issuer owns at least 90% of the share capital of the Target after completion of the Takeover Offer and the consummation of the Acquisition or at a later date, the Issuer intends to merge with the Target, to the extent that this is economically and operationally expedient at the relevant time (following the Issuer's prior change of legal form to a stock corporation (*Aktiengesellschaft*) or Societas Europea), excluding the minority shareholders in return for an adequate cash settlement pursuant to Section 62 para. 5 of the German Transformation Act (*Umwandlungsgesetz—UmwG*) in conjunction with Sections 327a *et seq*. AktG (Transformation Act Squeeze-out) if this is economically and operationally expedient at the relevant time. For determining the amount of the cash settlement, the circumstances at the time of the corresponding resolution of the general shareholders' meeting of the Target would be decisive. The adequacy of the amount of the cash settlement may be reviewed in appraisal rights proceedings. The amount of the adequate cash settlement could be equal to the offer consideration, but could also be higher or lower.

Insofar as the Issuer owns at least 95% of the share capital of the Target after the completion of the Takeover Offer and the consummation of the Acquisition or at a later date, the Issuer intends to request from the minority shareholders the transfer of the Target Shares held by them to the Issuer in return for an adequate cash compensation pursuant to Sections 327a *et seq*. AktG (Stock Corporation Squeeze-out). For determining the amount of the cash settlement, the circumstances at the time of the corresponding resolution of the general shareholders' meeting of the Target would be decisive. The adequacy of the amount of the cash settlement may be reviewed in appraisal rights proceedings. The amount of the adequate cash settlement could be equal to the offer consideration, but could also be higher or lower.

After completion of the Takeover Offer and the consummation of the Acquisition or at a later date, the Issuer may, to the extent permitted by law, cause the Target to apply for delisting of the Target Shares from the regulated market at the Munich Stock Exchange after the conditions required for this have been met, or to discontinue trading at the stock exchanges of Berlin, Frankfurt am Main and Stuttgart. In the former case, the Target Shareholders would no longer profit from the increased reporting duties of the regulated market. In the event that the Issuer initiates a separate delisting pursuant to Section 39 para. 2 of the German Stock Exchange Act (*Börsengesetz—BörsG*), the Issuer would make a delisting offer to the Target Shareholders pursuant to Section 39 para. 2 BörsG. Such a delisting offer could be equivalent in value to the Offer Consideration but it could also be lower or higher.

Prior to the earliest of (i) the date on which the Domination Agreement is registered in the commercial register of the Target, (ii) the date upon which the Target is converted into a German limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*), and (iii) the date upon which the Target is merged into the Issuer pursuant to a merger related Squeeze-Out or the Target shares of any holder who is not the Issuer or an affiliate of the Issuer are acquired pursuant to a Squeeze-Out (the "**Control Date**"), the Issuer has influence on the appointment and removal of Supervisory Board members of the Target through the shareholder meeting. The Supervisory Board has the power to appoint and remove the members of the Executive Board. Therefore, the Issuer has indirect influence but will not have direct control over the Executive Board. The Executive Board will be required prior to the Control Date to manage the Target under its own responsibility and in a manner that is in the best interests of the Target. As a result, pursuant to German statutory law, the majority shareholder may not exercise its influence to cause the Target to undertake a measure disadvantageous to the Target unless this is permitted pursuant to German statutory law and compensation is paid to the Target by the majority shareholder in accordance with German statutory law. See "*Risk Factors—Risks Related to the Acquisition—The Issuer does not currently control the Target Group and will not control the Target Group until the Control Date*."

The Super Senior Facilities

In connection with the Acquisition, a super senior facilities agreement (the "**Super Senior Facilities Agreement**"), comprised of a €50.0 million cash revolving facility (the "**Cash RCF Facility**") and a €167.5 million multicurrency revolving letter of guarantee facility (the "**L/G RCF Facility**" and together with the Cash RCF Facility, the "**Super Senior Facilities**"), will be made available to the Issuer and the Company, as borrowers, on and from the Acquisition Closing Date for the ongoing working capital (including guarantees) needs and general corporate purposes. The Target shall have the right but not the obligation to accede to the Super Senior Facilities Agreement as a borrower only on the Acquisition Closing Date. As of the Issue Date and the Acquisition Closing Date, respectively, no drawings are expected under the Cash RCF Facility. However, on or about the Acquisition Closing Date, the Group will refinance, including by way of back-to-back guarantees, all existing letters of credit and performance bonds issued in the ordinary course of business of the Group (and in each case guaranteeing operational liabilities only and not financial liabilities) by way of utilization under the L/G RCF Facility. As of June 30, 2020, the Target Group had outstanding letters of credit and performance bonds in an aggregate amount of approximately €115 million. See "*Use of Proceeds*," "*Capitalization*" and "*Description of Certain Financing Arrangements—Super Senior Facilities Agreement.*"

The Acquisition, the extension of the Shareholder Loans, the entering into the Super Senior Facilities Agreement and the Offering, including the application of the proceeds therefrom are collectively referred to as the "**Transactions**."

ESCROW ACCOUNT

Pending consummation of the Acquisition, the Initial Purchasers will, concurrently with the issuance of the Notes on the Issue Date, deposit the gross proceeds from the Offering into an escrow account in the name of the Issuer but controlled by the Escrow Agent, and charged in favor of, the Trustee on behalf of the holders of the Notes. The release of the proceeds from escrow will be subject to the satisfaction of certain conditions, including the completion of the Acquisition. If the Acquisition is not consummated on or prior to the Escrow Longstop Date, or upon the occurrence of certain other events, the Notes will be subject to a "special mandatory redemption." The special mandatory redemption price will be a price equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to but excluding the payment date of the special mandatory redemption. The Issuer intends to fund any shortfall in the event of a special mandatory redemption with cash contributed by the Sponsor to the Issuer pursuant to the Equity Commitment Letter. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.*"

TRADING UPDATE

Based on preliminary management accounts, the Target Group estimates that (i) its sales revenue for April and May 2020 amounted to approximately €49 million and approximately €46 million, respectively, compared to approximately €43 million and approximately €41 million in April and May 2019, respectively, primarily due to higher deliveries in the Special Gear Units and the Vehicles Transmissions business units, (ii) its EBITDA for April and May 2020 amounted to approximately €10 million and approximately €7 million, respectively, compared to approximately €8 million and approximately €3 million in April and May 2019, respectively, in line with development of the sales revenues, and (iii) its Order Backlog as of April 30, 2020 and May 31, 2020 amounted to approximately €965 million and approximately €956 million, respectively, compared to €821 million as of December 31, 2019, primarily due to significantly order inflows for projects in the Special Gear Units and the Vehicles Transmissions business units. As of May 31, 2020, our cash and cash equivalents amounted to approximately €115 million.

The foregoing preliminary financial information is based on preliminary internal unaudited consolidated monthly management accounts as of and for the one-months of April 2020 and May 2020, with comparative financial information for the months April 2019 and May 2019, respectively, which were prepared by and are the sole responsibility of the Target Group's management. This financial information has not been audited, reviewed or compiled nor have any agreed upon procedures been applied by PwC or any other audit firm and no opinion nor any other form of assurance is expressed with respect thereto. The foregoing comparative financial information for the months of April 2019 and May 2019 does not include the financial information of the Horstman Group that was acquired on April 16, 2019. In addition, the foregoing preliminary financial information is inherently subject to material modification during the preparation of RENK AG's consolidated interim financial statements as of and for the six months ending June 30, 2020 or consolidated financial statements as of and for the twelve months ending December 31, 2020. While the Target Group believes the foregoing financial information to be reasonable, actual results could vary materially and you should therefore not place undue reliance on such financial information. The presented preliminary financial information is not representative of any six-month or twelve-month period results of operations and should not be regarded as an indication, forecast or representation by the Company or any other person regarding the Target Group's future financial performance for the six months ending June 30, 2020 or the financial year ending December 31, 2020. See "Forward-looking Statements" and "Risk Factors" in this offering memorandum for a more complete discussion of certain factors that could affect the Group's future performance and results of operations.

RECENT DEVELOPMENTS

COVID-19 Update

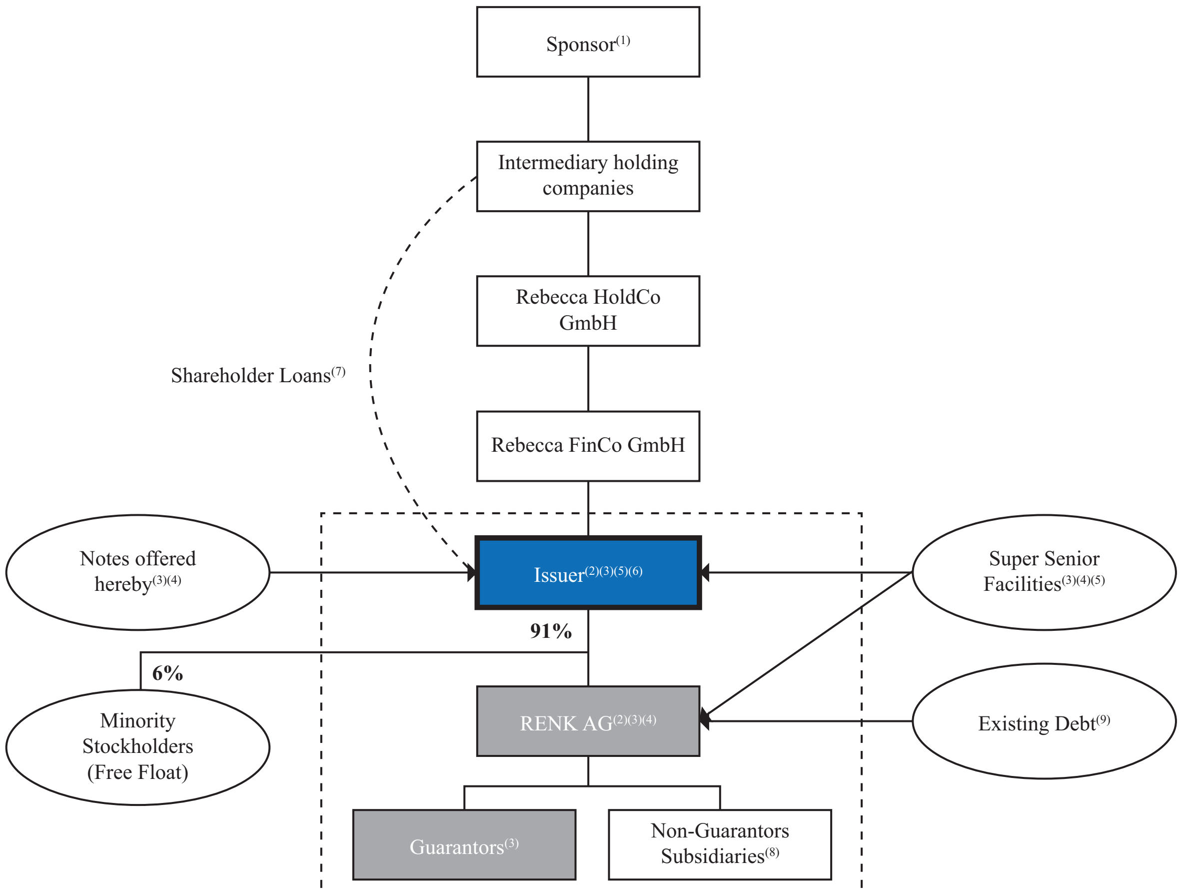
Since the COVID-19 crisis began, the Target Group has implemented several measures to safeguard its employees and prevent any disruptions of its operations. In particular, the Target Group has modified its business practices to minimize physical interactions (including practicing social distancing, flexible working hours and minimizing employee travel). There have been no major closures at any of the Target Group's production facilities. As of the date of this offering memorandum, it is not possible to accurately predict the near-, medium- or long-term impact of COVID-19 on the Target Group's business and industry.

The Target Group's overall Order Backlog has continued to increase to €956 million as of May 31, 2020 and around half of the Target Group's revenues are typically generated through long-term contracts in defense end-markets. To date, the Target Group has therefore not seen any major impact with regard to new products, spare parts or major overhauls except for a slowdown in inquiries for couplings and slide bearings. However, there has been an impact on the Target Group's aftermarket services and the commissioning of some of the Target Group's test benches on its customers' sites, which is due to the Target Group currently not being able to send out employees to certain locations due to the travel restrictions. This may lead to postponed revenues. Any envisaged easing of travel restrictions may reduce the impact on the Target Group's service field force and commissioning of test benches.

Furthermore, as of the date of this offering memorandum, the Target Group has not experienced any major supply chain issues. The Target Group generally sources from a large and well-diversified supplier base consisting primarily of European SMEs, helping to reduce the impact from potential supply shortages in the current environment. As of the date of this offering memorandum, the Target Group does not face any major inventory shortages caused by the COVID-19 crisis. The Target Group's current inventory for the production of vehicle transmissions should suffice for several months.

OVERVIEW OF THE GROUP'S CORPORATE AND FINANCING STRUCTURE

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



(1) Following consummation of the Acquisition and completion of the Takeover Offer (subject to the Withdrawal Rights), the Issuer, an indirectly wholly-owned entity by investment funds managed and/or advised by Triton, is expected to hold 91.07% of the Target's issued share capital. The Target holds approximately 3% of treasury shares. See also "*Shareholders*."

(2) The Issuer will not obtain control of the management of the Target Group, and due to the legal form of the Target, there will be significant limitations and restrictions on the influence that the Issuer may exercise as shareholder of the Target (including with respect to compliance by the Target and its subsidiaries with the covenants under the Indenture), unless and until the Control Date occurs. As a result, there can be no assurance that, prior to the Control Date, the Target and its subsidiaries will not take any action that would otherwise have been prohibited by the covenants under the Indenture had those covenants been applicable. See "*Risk Factors—Risks Related to the Acquisition—The Issuer does not currently control the Target Group and will not control the Target Group until the Control Date*."

(3) The Issuer is offering €320,000,000 aggregate principal amount of Notes. The Notes will be senior obligations of the Issuer. On the Issue Date, the Notes will not be guaranteed by any member of the Target Group. Within 30 business days following the Control Date, the Notes will be guaranteed on a senior basis by the Target and any other member of the Target Group (collectively, the "**Guarantors**") that is a guarantor under the Super Senior Facilities Agreement. The Guarantors will also guarantee the Super Senior Facilities on a *pari passu* basis. See "*Description of the Notes—Guarantees.*" As of and for the twelve months period ended March 31, 2020, the aggregated revenue, aggregated EBITDA and aggregated total assets, each calculated on an unconsolidated basis and excluding intra-group profits of the Guarantors together represented 86%, 86% and 91% of the consolidated sales revenue, EBITDA and total assets, respectively, of the Target Group. The Guarantees will be subject to certain significant contractual and legal limitations or subject to certain defenses under applicable law. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance requirements and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.*" The Guarantees may also be released without consent of the holders of the Notes under certain circumstances. See *"Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—There are circumstances other than repayment or discharge of the Notes under which the Collateral and the Guarantees may be released automatically, without your consent or the consent of the Trustee" and "Description of the Notes—Release of Note Guarantees."*

(4) On the Issue Date, the Notes will be secured by (a) the Escrow Charge, (b) security over the receivables owing to HoldCo or any other indirect parent entity of the Issuer in respect of any structural loans made by it to the Issuer, (c) a pledge over the shares in the Issuer and (d) security in respect of the Issuer's material banks accounts (if any) in Germany and Luxembourg (collectively, the "**Issue Date Collateral**"). At the earlier of (i) the date falling five business days following after the Acquisition Closing Date and (ii) the date on which the Issuer grants such security for the benefit of the Super Senior Facilities, the Issuer will grant a pledge over the shares held by the Issuer in the Target (the "**Post-Acquisition Closing Date Collateral**"). Within 30 business days following the Control Date, the Notes will, subject to the Agreed Security Principles, be secured by (a) a pledge over each Guarantor's material bank accounts in certain covered jurisdictions, (b) security over any material structural intercompany receivable owed by a Guarantor and (c) pledges over the shares in each Guarantor (collectively, the "**Post-Control Date Collateral**" and, together with the Issue Date Collateral and the Post-Acquisition Closing Date Collateral, the "**Collateral**"). See "*Description of the Notes—Security*." The Collateral (except for the Escrow Charge) will also secure on a first-ranking basis the Super Senior Facilities and certain hedging obligations. Under the terms of the Intercreditor Agreement, in the event of an enforcement of the Collateral (other than the Escrow Charge), holders of the Notes will receive proceeds from the Collateral only after all obligations under the Super Senior Facilities Agreement and certain hedging agreements have been repaid in full. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." The security interests will be subject to certain significant contractual and legal limitations or subject to certain defenses under applicable law. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance requirements and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.*" The security interests may also be released under certain circumstances. *See* "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—There are circumstances other than repayment or discharge of the Notes under which the Collateral and the Guarantees may be released automatically, without your consent or the consent of the Trustee*" *and* "*Description of the Notes—General—Security; Release of Collateral*."

(5) On or prior to the Issue Date, the Issuer will enter into the Super Senior Facilities Agreement, which provides for a €50,000,000 Cash RCF Facility and a €167,500,000 L/G RCF Facility. The Issuer will be the initial borrower of the Super Senior Facilities Agreement. The Super Senior Facilities will be guaranteed on a senior basis by the same Guarantors and will be secured on a first-ranking basis over the same Collateral (except for the Escrow Charge) securing the Notes and certain hedging obligations. The Super Senior Facilities will be guaranteed by the Target and the other Guarantors and secured by the Collateral (other than the Escrowed Charge) prior to the Control Date. See "*Description of Certain Financing Arrangements—The Super Senior Facilities Agreement*." In the event of an enforcement of the security interests granted by a member of the Target Group prior to the date on which the Post-Control Date Collateral secures the Notes, the Intercreditor Agreement will provide that holders of the Notes will not be entitled to receive any proceeds of such enforcement. In addition, under the terms of the Intercreditor Agreement, in the event of an enforcement of the Collateral (other than the Escrow Charge), holders of the Notes will receive proceeds from the Collateral only after all obligations under the Super Senior Facilities Agreement and certain hedging agreements have been repaid in full. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

(6) The Issuer has no independent business operations and as of the Issue Date the Issuer is expected to own no assets or liabilities other than the liabilities under the Notes, the Super Senior Facilities Agreement and the Shareholder Loans and the interest in the Escrow Account. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Issuer is a holding company dependent upon cash flows from its subsidiaries to meet its obligations on the Notes*."

(7) In connection with the Acquisition, the Sponsor will grant a shareholder loan of €46.0 million for long-term financing purposes ("**Shareholder Loan I**") and a shareholder loan of €40.0 million for short-term financing purposes (the "**Shareholder Loan II**" and together with the Shareholder Loan I, the "**Shareholder Loans**") through intermediate holding companies to the Issuer. On the Acquisition Closing Date, the Issuer will use the Shareholder Loans and the remaining amount of €175 million of the Equity Contribution to fund the Acquisition consideration and related transaction costs. See "*Summary—The Transactions*," "*Use of Proceeds*," "*Capitalization*," "*Certain Relationship and Related Party Transactions—Shareholder Loan I*" and "*Certain Relationship and Related Party Transactions—Shareholder Loan II.*"

(8) Certain of the Target Group's subsidiaries will not guarantee the Notes. As of and for the twelve months ended March 31, 2020, the aggregated revenue, aggregated EBITDA and aggregated total assets, each calculated on an unconsolidated basis and excluding intra-group profits of the non-Guarantors together represented 14%, 14% and 9% of the consolidated sales revenue, EBITDA and total assets, respectively, of the Target Group. As of March 31, 2020, on a *pro forma* basis, the members of the Target Group that will not be Guarantors had approximately €5.0 million financial debt.

(9) As of the Issue Date and the Acquisition Closing Date, respectively, no drawings are expected under the Cash RCF Facility. However, on or about the Acquisition Closing Date, the Group will refinance, including by way of back-to-back guarantees, all existing letters of credit and performance bonds issued in the ordinary course of business of the Group (and in each case guaranteeing operational liabilities only and not financial liabilities) by way of utilization under the L/G RCF Facility. As of June 30, 2020, the Group had outstanding letters of credit and performance bonds in an aggregate amount of approximately €115 million. See "*Description of Certain Financing Arrangements—Super Senior Facilities Agreement.*"

THE OFFERING

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

Issuer	Rebecca BidCo GmbH.
Notes Offered	€320,000,000 aggregate principal amount of senior secured notes due 2025 (the "**Notes**").
Issue Date	July 13, 2020.
Issue Price	100%, plus accrued interest, if any, from the Issue Date.
Maturity Date	July 15, 2025.
Interest Rate	5.75%.
Interest Payment Date	Interest on the Notes will be payable semi-annually in arrears on January 15 and July 15 of each year, commencing January 15, 2021.
Denominations	The Notes will only be issued in fully registered form and in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Notes in denominations of less than €100,000 will not be available.
Ranking of the Notes	The Notes will: • be general senior obligations of the Issuer; • be secured as set forth under "*—Collateral*" on a first-ranking basis along with the obligations under the Super Senior Facilities and certain hedging obligations; however, holders of the Notes will receive proceeds from the enforcement of the Collateral (other than the Escrow Charge and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the Super Senior Facilities and certain hedging obligations, have been repaid in full; • rank *pari passu* in right of payment with all of the Issuer's existing and future indebtedness that is not subordinated in right of payment of the Notes, including any indebtedness under the Super Senior Facilities, hedging obligations and certain other indebtedness permitted to be incurred under the Indenture; • rank senior in right of payment to all existing and future subordinated indebtedness of the Issuer; • be effectively senior to any existing and future indebtedness of the Issuer that is not secured by the Collateral, to the extent of the value of such Collateral; • be effectively subordinated to any existing and future secured indebtedness of the Issuer that is secured by property or assets that do not secure the Notes, to the extent of the value of such property and assets securing such indebtedness; and

- be structurally subordinated to any existing and future indebtedness of subsidiaries of the Issuer that do not guarantee the Notes, including obligations to trade creditors and, prior to the date on which the Target and any other member of the Target Group grant a Guarantee, the Super Senior Facilities.

Guarantees . . . . On the Issue Date, the Notes will not be guaranteed by any member of the Target Group. Within 30 business days following the Control Date, the Notes will be guaranteed on a senior basis by the Target and any other member of the Target Group that is a guarantor under the Super Senior Facilities Agreement. The Guarantors will also guarantee the Super Senior Facilities Agreement on a *pari passu* basis. See "*Description of the Notes—General—The Guarantees*."

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

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

Ranking of the Guarantees . . . . Each Guarantee of each Guarantor, at the time a Guarantor grants such Guarantee, will:

- be senior obligations of the Guarantor;
- be secured as set forth under "*—Collateral*" on a first-ranking basis along with the obligations under the Super Senior Facilities and certain hedging obligations; however, holders of the Notes will receive proceeds from the enforcement of the Collateral (other than the Escrow Charge) and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the Super Senior Facilities and certain hedging obligations, have been repaid in full;
- rank *pari passu* in right of payment with all of the Guarantor's existing and future senior indebtedness that is not subordinated in right of payment to its Guarantee, including any indebtedness under the Super Senior Facilities;

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

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

- the Escrow Charge;
- security over the receivables owing to HoldCo or any other indirect parent entity with respect to any structural loans made by it to the Issuer;
- a pledge over the shares in the Issuer; and
- security with respect to the Issuer's material bank accounts (if any) in Germany and Luxembourg

(collectively, the "**Issue Date Collateral**").

At the earlier of (i) the date falling five business days after the Acquisition Closing Date and (ii) the date on which the Issuer grants such security for the benefit of the Super Senior Facilities, the Issuer will grant a pledge over the shares held by the Issuer in the Target (the "**Post-Acquisition Closing Date Collateral**"). Within 30 business days following the Control Date (as defined herein), the Notes will, subject to the Agreed Security Principles, be secured by:

- a pledge over each Guarantor's material bank accounts in certain covered jurisdictions;
- security over any material structural intercompany receivable owed by such Guarantor; and
- pledges over the shares in each Guarantor.

(collectively, the "**Post-Control Date Collateral**" and, together with the Issue Date Collateral and the Post-Acquisition Closing Date Collateral, the "**Collateral**"). The Collateral (except for the Escrow Charge) will also secure on a first-ranking basis the Super Senior Facilities Agreement and certain hedging obligations and may also secure certain future indebtedness, including additional indebtedness with "super senior" status. Under the terms of the Intercreditor Agreement, proceeds received upon an enforcement or certain distressed disposals of the Collateral (other than the Escrow Charge) will be paid to the lenders under the Super Senior Facilities Agreement and certain hedging counterparties and additional "super senior" indebtedness, if any, in priority to the holders of the Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

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

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

Escrow of Proceeds; Special Mandatory Redemption . . . . Concurrently with the closing of the Offering on the Issue Date, the Issuer will enter into the Escrow Agreement with the Escrow Agent and the Trustee, pursuant to which the Initial Purchasers will deposit into the Escrow Account an amount equal to the gross proceeds of the offering of the Notes. The Escrow Account will be in the name of the Issuer and will be controlled by the Escrow Agent and pledged on a first-ranking basis in favor of the Trustee on behalf of the holders of the Notes.

Following delivery to the Trustee and the Escrow Agent of an officer's certificate confirming that the conditions to the release of the proceeds from escrow have been met or will be satisfied, the Escrow Proceeds will be released to the Issuer and utilized as described in "*Summary—The Transactions*," "*Use of Proceeds*" and "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*." These conditions will include, among other things, the closing of the Acquisition on the terms set forth in the Acquisition Agreement promptly following release of the Escrow Proceeds.

In the event that (a) the Acquisition Closing Date does not take place on or prior to the Escrow Longstop Date, (b) in the reasonable judgment of the Issuer, the Acquisition will not be consummated on or prior to the Escrow Longstop Date, (c) the Acquisition Agreement has been terminated at any time on or prior to the Escrow Longstop Date, or (d) with respect to the Issuer, certain insolvency events of default occur on or prior to the Escrow Longstop Date, the Notes will be subject to a "special mandatory redemption." The "special mandatory redemption price" will be equal to 100% of the aggregate initial issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to but excluding such special mandatory redemption date.

	In the event that the special mandatory redemption price payable upon a special mandatory redemption exceeds the Escrow Proceeds, the Sponsor will, pursuant to the Equity Commitment Letter, be required to fund the accrued and unpaid interest, and additional amounts, if any, owing to the holders of the Notes. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*."
Use of Proceeds	Upon the release of the proceeds of the Offering from the Escrow Account on or about the Acquisition Closing Date, the gross proceeds from the Offering and the Equity Contribution will be used to (i) pay the purchase consideration for the Acquisition under the Acquisition Agreement and (ii) to pay the fees and expenses related to the Transactions as set forth in "*Use of Proceeds*."
Optional Redemption	The Issuer may redeem all or part of the Notes at any time on or after July 15, 2022 at the redemption prices described under "*Description of the Notes—Optional Redemption*." At any time prior to July 15, 2022, the Issuer may redeem on any one or more occasions all or part of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, plus the Applicable Premium, as described under "*Description of the Notes—Optional Redemption.*" At any time prior to July 15, 2022, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Notes using the net proceeds from certain equity offerings at a redemption price equal to 105.75% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any; provided that at least 60% of the original aggregate principal amount of the Notes remains outstanding after the redemption. At any time prior to July 15, 2022, the Issuer may on any one or more occasions redeem in any calendar year up to 10% of the original principal amount of the Notes at a redemption price equal to 103% plus accrued and unpaid interest, and Additional Amounts, if any. See "*Description of the Notes—Optional Redemption.*"
Additional Amounts; Tax Redemption	Any payments made by or on behalf of the Issuer or any Guarantor under or with respect to the Notes or the Guarantees will be made without withholding or deduction for or on account of any taxes in any relevant taxing jurisdiction unless required by law. Subject to certain exceptions and limitations, if the Issuer or the applicable Guarantor or paying agent is required by law to withhold or deduct such taxes with respect to a payment on any Note or Guarantee, the Issuer or the applicable Guarantor will pay the Additional Amounts necessary so that the net amount received after such withholding or deduction is not less than the amount that would have been received in the absence of the withholding or deduction. See "*Description of the Notes—Payment of Additional Amounts*."

	If certain changes in the law of any relevant taxing jurisdiction become effective after the issuance of the Notes that would impose withholding taxes on the payments on the Notes and would require the Issuer or any Guarantor to pay Additional Amounts (as described in "*Description of the Notes—Payment of Additional Amounts*"), the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to the date of redemption. See "*Description of the Notes—Early Redemption for Taxation Reasons*."
Tender Offers	In connection with certain tender offers for the Notes, if holders of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of Notes. See "*Description of the Notes—Optional Redemption.*"
Change of Control	If the Issuer experiences a Change of Control, the holders of the Notes will have the right to require the Issuer to offer to repurchase the Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of repurchase. See "*Description of the Notes—Change of Control*."
Certain Covenants	The Indenture will limit, among other things, the ability of the Issuer and its restricted subsidiaries to: • incur or guarantee additional indebtedness or issue certain preferred stock; • pay dividends, redeem capital stock and make other distributions; • make certain other restricted payments or restricted investments; • prepay or redeem subordinated debt or equity; • create or permit to exist certain liens; • impose restrictions on the ability of the restricted subsidiaries to pay dividends; • transfer or sell certain assets; • merge or consolidate with other entities; • engage in certain transactions with affiliates; and • impair the security interests for the benefit of the holders of the Notes.

Prior to the Control Date, to the extent the Issuer undertakes to procure compliance by members of the Target Group with any term of the Indenture or where any term of the Indenture is expressed directly or indirectly to apply to a member of the Target Group, such term, undertaking or requirement will be subject to all limitations and restrictions on the influence the Issuer may exercise as a shareholder of the Target in accordance with mandatory German corporate law but without any obligation to compensate or to offer any compensation in accordance with the German Stock Corporation Act (including, but not limited to, Sections 311 *et seq.* German Stock Corporation Act) (and, for the avoidance of doubt, no breach of any such term, undertaking or requirement, and no Default or Event of Default, shall occur if having exercised all such influence within the limits set forth above, the relevant term, undertaking or requirement is nevertheless breached).

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

Transfer Restrictions .... The Notes and the Guarantees have not been, and will not be, registered under US federal or state or any foreign securities laws and are subject to restrictions on transferability and resale. See "*Transfer Restrictions*." The Issuer is under no obligation to, nor does it intend to, register the Notes or the Guarantees in the United States.

Absence of a Public Market for the Notes .... The Notes will be new securities for which there is no established trading market. Although the Initial Purchasers have advised the Issuer that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, the Issuer cannot assure you as to the development or liquidity of any market for the Notes. Furthermore, the Notes will not have registration rights under the US Securities Act.

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

Listing .... Application will be made to The International Stock Exchange Authority Limited (the "**Authority**") for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange (the "**Exchange**"). There is no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted, or that such listing will be maintained. Notwithstanding the foregoing, the Issuer may at its sole option at any time, without the consent of the holders of the Notes or the Trustee, de-list the Notes from any stock exchange for the purposes of moving the listing of the Notes to another recognized stock exchange for high yield issuers. See "*Description of the Notes—Maintenance of Listing*."

Governing Law	The Indenture and the Notes will be governed by the laws of the State of New York. The Intercreditor Agreement is governed by the laws of England and Wales. The Security Documents (as defined herein) will be governed by applicable local law.
Trustee	Deutsche Trustee Company Limited.
Escrow Agent	Deutsche Bank AG, London Branch.
Security Agent	Deutsche Bank AG, London Branch.
Paying Agent	Deutsche Bank AG, London Branch.
Registrar and Transfer Agent	Deutsche Bank Luxembourg S.A.
Listing Agent	Carey Olsen Corporate Finance Limited.

SUMMARY HISTORICAL FINANCIAL INFORMATION AND OTHER INFORMATION

The following tables set forth summary consolidated financial information and other data of RENK AG as of and for the periods indicated. The summary historical consolidated financial information has been taken or derived from the audited consolidated financial statements of RENK AG as of and for the fiscal years ended December 31, 2018 (with comparative financial information as of and for the fiscal year ended December 31, 2017) and 2019 (with comparative financial information as of and for the fiscal year ended December 31, 2018) and the unaudited condensed consolidated interim financial statements of RENK AG as of and for the three months period ended March 31, 2020 (with comparative financial information for the three months period ended March 31, 2019), including the related notes thereto, included elsewhere in this offering memorandum, as well as from its internal accounting system.

The financial information for the twelve months ended March 31, 2020, is unaudited and has been calculated by taking the consolidated income statement information of RENK AG for the three months period ended March 31, 2020, and adding it to the difference between the consolidated income statement information of RENK AG for the year ended December 31, 2019, and the consolidated income statement information of RENK AG for three months period ended March 31, 2019. The financial information for the twelve months ended March 31, 2020, is not required by or presented in accordance with IFRS or any other generally accepted accounting principles and has been prepared for illustrative purposes only. This information is not necessarily representative of the Target Group's results of operations for such a period or any future period or any financial position at any past or future date. The financial information for the twelve months ended March 31, 2020, has not been audited or reviewed by any auditor.

This offering memorandum includes certain financial information as of and for the twelve months period ended March 31, 2020 on an adjusted basis to give pro forma effect to the Transactions and the application of the proceeds therefrom, including consolidated financial data as adjusted to reflect the effect of the Transactions on indebtedness as if the Transactions had occurred on March 31, 2020 and on interest expense as if the Transactions had occurred on April 1, 2019. The pro forma financial information as of and for the twelve months period ended March 31, 2020, has been prepared for illustrative purposes only and does not represent what the Group's indebtedness or interest expense would have been had the Transactions occurred on March 31, 2020, or April 1, 2019, respectively; nor does it purport to project the Group's indebtedness or interest expense at any future date. The pro forma financial information as of and for the twelve months period ended March 31, 2020, has not been prepared in accordance with IFRS. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma financial information as of and for the twelve months period ended March 31, 2020, have been audited or reviewed by any auditor in accordance with any generally accepted auditing standards.

The financial information marked as "audited" in tables in this offering memorandum is taken from the audited consolidated financial statement mentioned above. Financial information marked as "unaudited" in tables in this offering memorandum is not taken from the audited consolidated financial statements and was taken from the Target Group's internal accounting system or is based on calculations of figures of the above mentioned sources.

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

Consolidated Income Statement Information

	Fiscal year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2017	2018	2019	2019	2020	2020
	(€ thousand)					
		(audited)		(unaudited)		(unaudited)
Sales revenue	469,406	502,218	558,609	96,492	113,367	575,484
Cost of sales	(354,223)	(383,442)	(428,790)	(78,554)	(91,419)	(441,655)
Gross profit	**115,183**	**118,776**	**129,819**	**17,938**	**21,948**	**133,829**
Other operating income	3,807	7,418	8,350	645	2,598	10,303
Net allowances on financial assets	—	(508)	(683)	254	605	(332)
Distribution expenses	(35,094)	(37,412)	(39,732)	(9,653)	(10,461)	(40,540)
General administrative expenses	(19,889)	(22,342)	(27,520)	(5,470)	(6,916)	(28,966)
Other operating expenses	(3,960)	(5,721)	(9,811)	(1,908)	(3,988)	(11,891)
Operating profit	**60,047**	**60,213**	**60,423**	**1,806**	**3,785**	**62,402**
Interest expense	(462)	(400)	(828)	(332)	(338)	(834)
Other financial result	1,619	1,802	2,728	232	(38)	2,458
Financial result	**1,157**	**1,402**	**1,900**	**(100)**	**(376)**	**1,624**
Profit before taxes	**61,204**	**61,615**	**62,323**	**1,706**	**3,410**	**64,027**
Income tax expense	(18,376)	(19,105)	(18,152)	(529)	(1,016)	(18,639)
Profit after tax (share of RENK shareholders)	**42,828**	**42,510**	**44,171**	**1,177**	**2,394**	**45,388**

Selected Consolidated Balance Sheet Information

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	(€ thousand)			
		(audited)		(unaudited)
ASSETS				
Non-current assets	**215,232**	**230,008**	**309,855**	**311,936**
Current assets	**484,765**	**523,353**	**504,956**	**517,487**
Total assets	**699,997**	**753,361**	**814,811**	**829,424**
EQUITY AND LIABILITIES				
Equity	**421,851**	**449,935**	**483,699**	**484,094**
Non-current liabilities and provisions	**93,978**	**106,742**	**114,418**	**103,172**
Current liabilities and provisions	**184,169**	**196,683**	**216,694**	**242,159**
Total liabilities and provisions	**699,997**	**753,361**	**814,811**	**829,424**

Selected Consolidated Cash Flow Statement Information

	Fiscal year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	(€ thousand)				
	(audited)			(unaudited)	
Cash flows from operating activities	**24,849**	**34,706**	**7,462**	**12,495**	**22,009**
Cash flows from investing activities	**(23,648)**	**(33,136)**	**(73,222)**	**(5,125)**	**(7,742)**
Cash flows from financing activities	**(14,960)**	**(14,960)**	**(17,968)**	**(189)**	**(285)**
Change in cash and cash equivalents	**(15,404)**	**(12,853)**	**(83,224)**	**7,358**	**14,305**
Cash and cash equivalents at the end of the period	**198,553**	**185,700**	**102,476**	**193,058**	**116,781**

Selected Segment Information

	For the fiscal year ended December 31,		
	2017	2018	2019
		(€ thousand) (audited)	
Vehicles Transmissions			
Total sales revenue	150,916	177,388	230,008
Operating profit	26,698	37,352	43,543
Special Gear Units			
Total sales revenue	162,430	170,839	181,428
Operating profit	10,988	5,234	6,207
Standard Gear Units			
Total sales revenue	77,933	78,885	72,510
Operating profit	8,303	6,459	1,038
Slide Bearings			
Total sales revenue	88,282	86,625	84,790
Operating profit	14,113	11,170	9,607
Consolidation			
Total sales revenue	(10,155)	(11,518)	(10,127)
Operating profit	(55)	(2)	28
Group			
Total sales revenue	469,406	502,218	558,609
Operating profit	60,047	60,213	60,423

Other Financial Data

	For the fiscal year ended and as of December 31,			As of and for the three months ended March 31,		As of and for the twelve months ended March 31,
	2017	2018	2019	2019	2020	2020
	(€ thousand, unless stated otherwise)					
	(unaudited)			(unaudited)		(unaudited)
EBITDA[(1)]	78,972	79,226	83,821	6,644	9,778	86,955
EBITDA margin (in %)[(1)]	16.8	15.8	15.0	6.9	8.6	15.1
Free Cash Flow[(2)]	60,316	55,211	63,991	3,555	4,447	64,883
Cash Conversion[(3)]	0.76	0.70	0.76	0.54	0.45	0.75
***Pro forma* Financial Data**						
Pro forma Net Debt[(4)]						264,617
Pro forma cash interest expense[(5)]						18,925
Ratio of pro forma Net Debt to EBITDA						3.0x
Ratio of EBITDA to *pro forma* cash interest expense						4.6x

(1) EBITDA is defined as operating profit before depreciation, amortization and impairment losses on intangible assets and property, plant and equipment. This measure is not a defined financial measure under IFRS. It should be noted in this context that not all companies calculate the items that are not defined under IFRS in the same manner, and that consequently the measures reported are not necessarily comparable with similarly described measures employed by other companies. EBITDA

Margin is defined as EBITDA divided by sales revenue. Below is a calculation of the Target Group's operating profit to EBITDA for the periods indicated:

	Fiscal year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2017	2018	2019	2019	2020	2020
	(€ thousand) (unaudited, unless stated otherwise)					
Operating profit	60,047*	60,213*	60,423*	1,806	3,785	62,402
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment.	18,925*	19,013*	23,398*	4,838	5,993	24,553
EBITDA	**78,972**	**79,226**	**83,821**	**6,644**	**9,778**	**86,955**

* Audited.

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

	Fiscal year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2017	2018	2019	2019	2020	2020
	(€ thousand) (unaudited)					
EBITDA	78,972	79,226	83,821	6,644	9,778	86,955
Maintenance Capital Expenditure.	(18,836)	(24,014)	(19,830)	(3,089)	(5,331)	(22,072)
Free Cash Flow	**60,136**	**55,211**	**63,991**	**3,555**	**4,447**	**64,883**

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

(4) *Pro forma* Net Debt is calculated as total financial debt (not including the Shareholder Loans) less cash and cash equivalents adjusted to give *pro forma* effect to (a) the Transactions as if they had occurred on March 31, 2020 and (b) to (i) the ordinary dividend payment for the financial year 2019 made in June 2020 in an amount of €15.0 million and (ii) the dividend payment for the financial year 2020 to the Sponsor in 2021 in an expected amount of €40.0 million to repay the Shareholder Loan II in full.

(5) *Pro forma* cash interest expense reflects the estimated interest expense on the Notes and commitment fees under the Cash RCF Facility for the twelve-month period ended March 31, 2020 as if the Transactions had occurred on April 1, 2019. *Pro forma* cash interest expense has been presented for illustrative purposes only and does not purport to represent what the Group's interest expense actually would have been had the Transactions occurred on the date assumed, nor does it purport to project the Group's interest expense for any future period or the Group's financial condition at any future date. Pro forma cash interest expense does not include any guarantee fees for letters of credit or guarantees issued under the L/G RCF Facility as such instruments are related to the operating business and therefore recorded as part of operating expenses.

Key Performance Indicators

	As of or for the fiscal year ended December 31,			As of or for the three months ended March 31,	
	2017	2018	2019	2019	2020
		(unaudited)		(unaudited)	
Order Intake[1] (€ thousand)	**434,103**	**528,935**	**539,697**	**110,344**	**178,487**
Vehicle Transmissions	124,122	170,968	216,801	31,483	25,444
Special Gear Units	153,609	207,601	175,787	41,415	115,355
Standard Gear Units	88,448	75,738	70,122	15,825	17,496
Slide Bearings	83,912	84,830	85,047	23,889	23,563
Consolidation	(15,989)	(10,201)	(8,060)	(2,267)	(3,371)
Order Backlog[2][3] (€ thousand)	**747,925**	**773,883**	**820,779**	**788,128**	**885,489**
Vehicle Transmissions	426,343	419,481	473,979	413,591	447,743
Special Gear Units	239,473	276,068	269,451	295,428	360,407
Standard Gear Units	61,313	57,893	54,545	55,183	55,407
Slide Bearings	32,643	30,973	31,267	34,178	31,705
Consolidation	(11,847)	(10,531)	(8,463)	(10,252)	(9,773)

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

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

(3) Based on preliminary management accounts, the Target Group estimates that its Order Backlog as of May 31, 2020 amounted to €956 million, of which the Target Group estimates approximately a third will be realized during the remainder of 2020, approximately a third in 2021, and approximately a third thereafter. These numbers are unaudited and preliminary in nature and subject to change. See "—*Trading Update*" for more information.

RISK FACTORS

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

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

Risks Related to the Market and the Group's Business

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

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

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

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

The Group's business and results of operations may be adversely affected by the recent COVID-19 outbreak or other similar outbreaks.

The global spread of COVID-19, commonly known as "coronavirus," has created significant macroeconomic uncertainty, volatility and disruption. In response, many governments have implemented policies intended to stop or slow the further spread of the disease, such as lockdowns, or restricted movement guidelines, and these measures may remain in place for a significant amount of time. As a result of the COVID-19 disease or other similar outbreaks or adverse public health developments or measures imposed to contain such outbreak, particularly in Europe and the United States, the Group's business operations may experience delays or disruptions, such as the temporary suspension of operations at one or more of the Group's manufacturing facilities and supply chains being interrupted, slowed, or rendered inoperable. In particular, the Group's field service engineers might not be able to conduct their business as usual due to lockdown measures. This could result in a revenue decline should the current situation continue for a significant and unforeseeable amount of time. In addition, the Group's business, financial condition and results of operations could be materially adversely affected to the extent that the COVID-19 or any other epidemic or outbreak harms the international economy in general. The outbreak of COVID-19 might also have an impact in policy priorities in government spending to contain COVID-19 and its effect on macroeconomic conditions and may lead to reduced defense budgets and a delay in defense projects in general.

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

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

There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19 and a global pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change. The Group does not yet know the full extent of the impacts on its business, its operations or the global economy as a whole. The Group might have a limited potential revenue loss if the current situation continues until the end of 2020 as field service engineers cannot conduct business as usual amid the lockdown measures. However, the effects could have a material adverse effect on the Group's business, financial condition and results of operations. To the extent the COVID-19 pandemic adversely affects its business, financial condition and results of operations, it may also have the effect of heightening many of the other risks described in this "*Risk Factors*" section.

The Group operates in markets that are competitive.

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

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

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

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

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

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

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

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

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

As regards the United States, our supply chain is also subject to the Export Administration Regulations ("**EAR**") which is enforced by the Bureau of Industry and Security ("BIS"). The EAR regulates sensitive commercial technology as well as dual-use products having both commercial and military application that are listed in the EAR Commerce Control List. An appropriate license must be obtained before the export of the controlled product or technology could occur. The refusal of licenses or the tightening of the EAR export regulations can have a material adverse effect on the Group's business.

Following Brexit on January 31, 2020, the United Kingdom entered into a transition period set to terminate on December 31, 2020 during which it will continue to apply EU law. Thereafter, the effects of Brexit will depend, in part, on agreements the United Kingdom negotiates during the transitional period to retain access to markets in the EU, including current trade and finance agreements. Depending on the outcome, the Group could be required to make additional operational and strategic adjustments related to its sites within the United Kingdom, which the Target acquired as part of the Horstman Group acquisition. Any such trade barriers could have a negative impact on volumes and costs both for products and components produced in the EU for the United Kingdom, as well as those produced in the United Kingdom for the European market. In a worst-case scenario, this could lead to disruptions in production due to the processing of customs formalities.

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

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

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

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

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

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

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

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

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

Approximately half of the Target Group's sales were generated by sales of vehicle transmissions and naval gear units in defense end-markets in the fiscal year ended December 31, 2019. The Group's customers include governments, public authorities and companies that rely on government spending to purchase its products and services. The Group expects that defense spending, in particular, by these customers, will continue to make up a significant part of the Group's sales revenue in the future. However, government programs may be cancelled, delayed or amended based on many factors over which the Group has no control, including socio-political considerations, general macroeconomic conditions or changes in government or administrative policy. Accordingly, the Group may face uncertainties in planning and managing its resources. In addition, government spending programs, even if previously approved, are typically subject to annual reviews and adjustments and may, therefore, be cancelled at any time. Changes in political or public support for security and defense programs may also affect related government programs and defense spending. Geopolitical developments, including economic sanctions, could also affect demand for the Group's products and services. In addition, the outbreak of COVID-19 might also have an impact on policy priorities in government spending to contain COVID-19 and its effect on macroeconomic conditions and may lead to reduced defense budgets. See "*—The Group's business and results of operations may be adversely affected by the recent COVID-19 outbreak or similar outbreaks.*"

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

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

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

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

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

The Group is subject to various laws and regulations applicable to parties doing business with governments and government agencies and entities, including laws and regulations governing performance of German and foreign government contracts and security clearance of its employees. The laws and regulations to which the Group is subject differ materially depending on the contracting government and conflicting rules or blocking statutes in such laws and regulations may prevent the Group from taking on contracts with other governments. For example in Germany, applicable laws and regulation include, but are not limited to the Security Clearance Act (*Sicherheitsüberprüfungsgesetz/SÜG*) and the Secret Protection Manual

(*Geheimschutzhandbuch*) of the Federal Ministry for Economic Affairs and Energy (*Bundesministerium für Wirtschaft und Energie*). The Group is also strictly bound by contractual obligations to comply with such laws and regulations. If the Group is found to have violated such laws or regulations, the Group may be subject to civil or criminal proceedings and penalties as well as administrative sanctions or fines, including reductions in the value of contracts, contract modifications or terminations, forfeiture of profits, suspension of payments, contractual penalties, fines, suspension, or prohibition from doing business with the respective government (*e.g.*, prohibited from participating in future public procurement procedures). In addition, the Group could suffer serious reputational harm if allegations of impropriety were made against the Group. As a result of the need to comply with these laws and regulations, the Group is subject to increased risks of governmental investigations, civil fraud actions, criminal prosecutions, whistleblower lawsuits and other enforcement actions.

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

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

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

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

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

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

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

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

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

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

The Group generates a significant amount of its revenues from a limited number of large customers.

The Group depends on certain large value customers for a significant proportion of its revenues.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Developing new and improved products requires a substantial amount of capital funding and entails considerable uncertainty. Due to the complexities and uncertainties associated with R&D, products that the Group is currently developing may not complete the development process or obtain the regulatory approvals required for the Group to market such products successfully. If the Group devotes resources to the pursuit of new technologies and products that fail to be accepted in the marketplace or that fail to become commercially viable, all or part of these R&D costs may be lost. Furthermore, should the Group be unable to secure sufficient funding to finance its R&D activities, the Group could lose its competitive position in a number of important and rapidly growing sub-markets. The Target Group incurred €13.7 million in research and development costs ("**R&D Costs**") in the fiscal year ended December 31, 2019 for the development of new and existing products and technology. In addition, the Target Group conducts similar R&D activities on an order-specific basis depending on its customers' demands and needs. These costs are recognized within the Target Group's cost of sales and are assigned to the respective customer order. These costs amounted to about double the Target Group's R&D costs during the fiscal year ended December 31, 2019, see also "*Business—R&D*."

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

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

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

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

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

The Group's success depends on attracting and retaining directors, executive officers, senior management, key employees and other skilled and unskilled personnel. In particular, losing its Chief Executive Officer or Chief Financial Officer could jeopardize the Group's ability to further implement and execute its strategy. More generally, the loss of directors, executives, key employees and other skilled personnel could have a material adverse effect on the Group's market position. Due to intense competition within the industry, there is a risk of losing qualified employees to competitors or being unable to find a sufficient number of appropriate new employees. Considerable expertise could be lost or access thereto gained by competitors.

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

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

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

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

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

In addition, the Group's ability to keep its business operating depends on the proper and efficient operating and functioning of various IT systems which are susceptible to malfunctions and interruptions. Parts of the Group's IT infrastructure could malfunction as a result of accidents, disasters, technical disruption, internet attacks and a range of other hardware, software or network problems, thereby impairing or completely shutting down business processes. Moreover, there are the risks of unauthorized access, theft and the destruction or misuse of business data and information. A significant or large-scale malfunction or interruption of one or more of the Group's IT systems could adversely affect its ability to keep the Group's operations running efficiently or at all and affect product availability. In addition, it is possible that a malfunction of the Group's data security measures or a cyber-attack could enable unauthorized persons access to sensitive business or personal data, including information to it intellectual property or business strategy or those of its customers. Such failure could cause economic loss for which the Group could be liable and may expose the Group to governmental investigations, disciplinary actions and fines. A failure of the Group's IT systems could also cause damage to its reputation which could harm our business.

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

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

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

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations.

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

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

- difficulties in the integration of the acquired businesses;
- the diversion of the Group's management's attention from other business concerns;
- uncertainties in assessing the value, strengths and potential profitability of, and identifying the extent of all
- weaknesses of acquisition candidates;

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

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

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

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

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

- the burden of complying with multiple and possibly conflicting laws and unexpected changes in regulatory requirements;
- foreign currency exchange controls, sanctions, import and export restrictions and tariffs, including restrictions promulgated by the Office of Foreign Assets Control of the US Department of the Treasury, and other trade protection regulations and measures;
- political risks, including increased trade protectionism and risks of loss due to civil disturbances, acts of terrorism, acts of war and insurrection;
- underdeveloped infrastructure;
- unstable economic, financial and market conditions;
- currency exchange rate and interest rate fluctuations;
- hyperinflation in certain countries;
- difficulties in enforcement of third-party contractual obligations and intellectual property rights and collecting receivables through foreign legal systems;
- difficulty in staffing and managing international operations and the application of foreign labor regulations;
- lack of qualified management or adequately trained personnel;
- differing local product preferences and product requirements;

- potentially adverse tax consequences from changes in tax laws, requirements relating to withholding taxes on remittances and other payments by subsidiaries and restrictions on the Group's ability to repatriate dividends from its subsidiaries;
- business environments in which fraud, bribery or corruption are common, condoned or encouraged by private or official actors; and
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the US Foreign Corrupt Practices Act and similar laws and regulations in other jurisdictions.

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

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

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

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

The Group's international operations require complex administrative, financial and operational processes at entities with different levels of maturity in terms of internal controls, evolving in a variety of legal environments and running different information systems. This also includes internal controls in relation with defense exports where significant fines can be imposed if not pre-approved by relevant governmental authorities. The Group periodically evaluates the effectiveness of the design and operation of the Group's internal controls. Based on these evaluations, the Group may conclude that enhancements, modifications, or changes to internal controls are necessary or desirable.

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

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

Legal, Taxation and Environmental Risk

The Group is exposed to warranty and product liability claims.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For example, in June 2019, the City of Augsburg requested remediation measures regarding a contamination of soil in the area of former oil and waste liquids tank. As of the date of this offering memorandum, the Group still has areas of contamination of soil and/or groundwater on the Group's Augsburg plant, whereby the City of Augsburg is involved in the remediation and/or monitoring process. The Group expects the finalization of the key remediation and monitoring measures in 2021 (with the exception of a minor groundwater monitoring measure, which will continue beyond 2021).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group's employees in Germany are subject to collective bargaining agreements. If industry-wide collective bargaining agreements which apply to the Group are amended to the effect that they foresee higher benefits for employees in the future, this may lead to higher employment costs and higher social security contributions for the past and future.

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

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

The Group has defined benefit pension plans in Germany, defined contribution pension plans in Switzerland and pay obligatory post-employment benefits in France and elsewhere in accordance with applicable local statutory provisions. As of December 31, 2019, the Target Group's defined benefit obligations amounted to €181.6 million and plan assets amounted to €167.3 million. As at December 31, 2019, the Target Group's provisions for pension obligations amounted to €14.2 million. The Group is also subject to risks associated with longevity, inflation changes in interest rates and salary increases in connection with the Group's defined benefit pension plans as increases in life expectancy, lower than expected rate increase or higher than expected salary increases would increase the Group's benefit obligations. Changes to local legislation and regulations relating to defined benefit plan funding requirements may also result in significant deviations in the timing and size of the expected cash contributions under such plans.

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

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

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

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

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

The Group is subject to routine tax audits by local tax authorities in the countries in which it operates, for example in France and Germany. For example, RENK AG and RENK Test System GmbH were subject to a general tax audit in Germany for the years 2011 to 2013 and a wage tax audit covering the years 2010 to 2014. Further, the German tax authorities have started the subsequent general tax audit for the years 2014 to 2016 and a wage tax audit for the years 2015 to 2018. While the Target Group believes that it has paid all material tax liabilities and filed all material tax returns as of the date of this offering memorandum, and made provisions that the Group believes to be adequate with respect to material tax risks resulting from current or past tax audits, there can be no assurance that tax deficiencies will not be asserted against the Target Group or that the taxes assessed by the competent authorities pursuant to such tax audits will not exceed such provisions. All of the tax assessments issued for periods which were not yet finally audited may be subject to review and future tax audits may result in additional tax and interest payments, which would negatively affect our financial condition and results of operation.

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

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

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

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

As of December 31, 2019, deferred tax assets of the Target Group amounted to €9,606 thousand. The Group periodically assesses the probability of the realization of deferred tax assets, using significant estimates and judgments with respect to, among other things, market developments, the success of the Group's customers and timing of future profits. If the Group determines that in the future there is not sufficient positive evidence to support the valuation of the Group's deferred tax assets, the Group may be required to write-off all or a part of these assets.

Risks Related to the Acquisition

The Acquisition is subject to uncertainties and risks.

On January 30, 2020, the Issuer and Volkswagen Vermögensverwaltungs-GmbH, the parent of the Target, entered into a share purchase agreement for the acquisition and the transfer of all 5,320,000 shares of the Target currently held by Volkswagen Vermögensverwaltungs-GmbH (representing 76.00% of the share capital and the voting rights (ignoring the Target's treasury shares) of the Target) (the "**Acquisition Agreement**"). The closing of the Acquisition is subject to customary closing conditions, including, in particular, the receipt of merger control and other regulatory clearances in multiple jurisdictions and lack of shareholders' resolutions regarding certain corporation actions including capital increase and change of the Target's articles of association. The Issuer will not consummate the Acquisition until the completion of the regulatory clearance process. While the Issuer expects this to occur by the Escrow Longstop Date, it may also, in exceptional circumstances, occur significantly later. In addition, the Company is expected to incur a negative impact on EBITDA of €3.4 million per annum for running the business on a standalone basis.

Completion of the Acquisition is one of the conditions to releasing the proceeds from the Offering from escrow under the Escrow Agreement. If the Acquisition is not consummated on or prior to the Escrow Longstop Date for any reason and, as a result, the proceeds from the sale of the Notes to be held in escrow are not released, the Issuer will be required to redeem the Notes pursuant to the terms of the special mandatory redemption provided under the Indenture, and you may not obtain the investment return you expect on the Notes. The Issuer may also undertake a special mandatory redemption at any time if, in its reasonable judgment, the Acquisition will not be consummated by the Escrow Longstop Date. See "*Description of the Notes—Escrow of Proceeds*."

The Issuer does not and may not in the future, own all of the outstanding shares in the Target, and there can be no assurance that a Domination Agreement will be concluded and become effective in a timely manner or at all.

Following completion of the Acquisition and the Takeover Offer, the Issuer is expected to hold 91.07% of the Target's issued share capital, subject to the Withdrawal Rights. As long as minority interests in the Target are outstanding and no Domination Agreement has been approved and registered, the Issuer and its shareholders may be subject to limitations on their ability to enter into transactions with the Target that are not on arms-length terms, which could limit efficiencies and costs savings that may otherwise be realized in connection with the Acquisition. In addition, until a Domination Agreement has been approved and registered, there will be significant limitations and restrictions on the influence that the Issuer may exercise as the direct shareholder of the Target (including with respect to compliance by the Target and its subsidiaries with the covenants under the Indenture). As a result, there can be no assurance that, prior to that, the Target and its subsidiaries will not take any action that would otherwise have been prohibited by the covenants under the Indenture had those been applicable. See "*—The Issuer does not currently control the Target Group and will not control the Target Group until the Control Date.*"

Following the Acquisition Closing Date, the Issuer intends to conclude a Domination Agreement with the Target, as dominated entity, and the Issuer, as dominating entity if this is economically and operationally expedient at the relevant time. Based on the Acquisition Agreement concluded between the Issuer Volkswagen Vermögensverwaltungs-GmbH, the Issuer will own at least 76.00% of the Target Shares upon completion of the Takeover Offer. Irrespective of the number of tendered Target Shares in the Takeover Offer, the Issuer will therefore have the necessary majority of votes in the general shareholders' meeting of the Target to conclude a Domination Agreement. The Issuer intends to conclude a Domination Agreement if this is economically and operationally expedient at the relevant time. However, there can be no assurances that a Domination Agreement will be implemented in a timely manner or at all or, if implemented, will remain in place during the term of the Notes.

In addition, the dominating entity, *i.e.*, the Issuer would be legally obliged to offer the Target's minority shareholders the right to (i) sell their shares in the Target to the dominating entity for adequate cash compensation or, alternatively, (ii) to receive an annually recurring preferred dividend payment which must be guaranteed by the dominating entity. The adequacy of the amount of such compensation and guaranteed preferred dividend can and frequently is challenged by minority shareholders in appraisal proceedings, which can lead to an even higher cash compensation and/or preferred dividend and might be time and cost consuming. The amount of preferred dividends may exceed such minority shareholders' *pro rata* share of the Target's distributable profit and therefore adversely affect the cash flows available to the dominating entity and , in turn, impair the Issuer's ability to service their obligations under the Notes.

Unless and until a Domination Agreement becomes effective, *i.e.*, has been registered with the commercial register, the Issuer is not able to create a fiscal unity and to consolidate the Target Group for tax and financial reporting purposes, and any proceeds that the Issuer may receive from the Target are limited to the dividend payments approved by the Target's annual general meeting. As a result, the absence of a Domination Agreement would adversely affect the cash flows available to the Issuer and therefore impair the Issuer's ability to service its obligations under the Notes as well as lead to potentially adverse tax consequences for the Issuer.

The Issuer does not currently control the Target Group and will not control the Target Group until the Control Date.

Following completion of the Acquisition and the Takeover Offer, the Issuer is expected to hold 91.07% of the Target's issued share capital, subject to the withdrawal Rights. However, despite holding a majority of the voting rights, the Issuer will not obtain control of the Target Group until the Control Date. As a result, the Issuer's ability to influence the Target's management is limited. In particular:

- The Target's management is independent and may not operate the business of the Target Group until the Control Date in the same way that the Issuer and the Sponsor would.
- Much of the information contained in this offering memorandum relating to the Target has been derived from public sources and, in the case of certain additional information relating to the Target, has been provided to the Issuer by the Target, and the Issuer has relied on such information that is publicly available or was supplied to them in their preparation of this offering memorandum.
- The Transactions themselves have required, and will likely continue to require, substantial time and focus from the Target Group's management, which could adversely affect their ability to operate the Target Group's business.
- In addition, the Target's management board will be required to manage the business of the Target under its own responsibility and in a manner that is in the best interest of the Target. Only after the implementation of the Domination Agreement will the Issuer be able to direct the Target.
- Prior to the Control Date, the Issuer cannot assure you that the Target Group will fully comply with the covenants described in "*Description of the Notes*" and to be included in the Indenture, due to statutory limitations on the influence of shareholders on a public company. As such, the Issuer cannot assure you that, prior to such date, the Target and its subsidiaries will not take any action that would otherwise have been prohibited by the Indenture had those covenants been applicable.

The Issuer cannot assure you that the Control Date will occur at all, due to the fact it is dependent on the implementation of the Domination Agreement, the Target being converted into a German limited liability company (*Gesellschaft mit beschränkter Haftung*) or the implementation of a squeeze-out. If the Issuer is not able, or elects not, to implement the Domination Agreement, effect the conversion of the Target into a German limited liability company (*Gesellschaft mit beschränkter Haftung*) or effect a squeeze-out, then the Control Date will not occur.

Any of the risks associated with the Issuer's lack of control over the Target and its subsidiaries until the occurrence of the Control Date could have a material adverse effect on its business, financial position and results of operations.

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

In connection with the Acquisition, the Seller has given certain limited representations and warranties under the Acquisition Agreement. There can be no assurance that the Issuer will be able to enforce such claims against the Seller relating to breaches of such representations and warranties. The Seller's liability with respect to breaches of its representations and warranties under the Acquisition Agreement is limited to €1. The Issuer has entered into a warranty and indemnity insurance policy to cover possible breaches of representations and warranties from the Seller. However, there can be no assurance that attempts to recover from the Seller or the insurance company under the insurance policy on breaches of representations and warranties will be successful and if amounts are recovered, they may be inadequate to cover any losses or damages resulting from the Seller's breach. Moreover, even if the Issuer ultimately succeeds in recovering any amounts from the Seller or the Issuer's insurance provider, the Issuer may temporarily be required to bear these losses itself.

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

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

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

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

If certain conditions are not satisfied on or prior to the Escrow Longstop Date, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes.

The gross proceeds from the Offering will be held in an escrow account pending the satisfaction of certain conditions, some of which are outside of the Issuer's control. If the Acquisition does not occur on or prior to the Escrow Longstop Date or if certain other events that trigger escrow termination occur, the Notes will be subject to a "special mandatory redemption" as described in "*Description of the Notes—Escrow of Proceeds*," and you may not obtain the return you expect to receive on the Notes.

The Escrowed Proceeds will be initially limited to the gross proceeds from the Offering and will not be sufficient to pay the "special mandatory redemption price" in the event of a special mandatory redemption, which is equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date for the Notes to, but excluding, the special mandatory redemption date. In the event that the special mandatory redemption price payable upon a special mandatory redemption *exceeds* the amount of the Escrowed Proceeds, the Sponsor will, pursuant to the Equity Commitment Letter, be required to fund any shortfall in the Escrow Account, including in respect of the accrued and unpaid interest, and additional amounts, if any, owing to the holders of the Notes. However, in the event such commitment is not honored, the Issuer will not have sufficient funds to pay the special mandatory redemption price, and you may not obtain the return you expect to receive on the Notes.

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

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

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

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

As the Target is a publicly listed company, the due diligence conducted for the Acquisition was mostly limited to publicly available information. Accordingly, the Sponsor cannot be certain that its due diligence investigation has revealed or highlighted all relevant facts (including fraud, bribery and other illegal activities and contingent liabilities) that may be necessary or helpful in evaluating the merits of investing in the Target Group. The Sponsor also cannot be certain that the its due diligence investigations will result in the Issuer's investment in the Target being successful or that the actual financial performance of such investment will not fall short of the financial projections the Sponsor used when evaluating that investment.

Risks Related to Structure and Financial Position

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

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

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

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

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

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

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

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

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

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

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

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

Upon completion of the Transactions, the Group will have significant debt service obligations. See "*Description of Certain Financing Arrangements,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Summary Historical Financial and Other Data.*" As of March 31, 2020, after giving *pro forma* effect to the Transactions as described under "*Use of Proceeds,*" the Issuer would have had *pro forma* total financial debt of €326.4 million. In addition, the Issuer and the Target would have had the ability to borrow up to €50.0 million under the Cash RCF Facility and up to €167.5 million under the L/G RCF Facility.

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

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

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

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

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

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

The Indenture and the Super Senior Facilities Agreement will permit the Issuer and its subsidiaries to incur substantial additional indebtedness, including up to €50.0 million under the Cash RCF Facility and up to €167.5 million under the L/G RCF Facility and certain other debt, which may be secured and that shares in the Collateral securing the Notes. Certain creditors with respect to its debt, including lenders under the Super Senior Facilities Agreement, counterparties to certain hedging obligations and lenders under any other additional credit facilities which are entitled to rank "super-senior" will receive proceeds from the enforcement of security granted over the Collateral or certain distressed disposals prior to the holders of the Notes. The Indenture will permit the Issuer and its subsidiaries to incur certain additional debt that may be secured on property and assets that do not secure the Notes, which debt as a result will be effectively senior to the Notes to the extent of the value of such property and assets. In addition, the Indenture will allow the Issuer's non-guarantor subsidiaries to incur certain additional debt that would be structurally senior to the Notes and will not prevent the Issuer and its subsidiaries from incurring liabilities that do not constitute "Indebtedness" as defined thereunder. The agreements governing the Group generally limit its ability to incur additional indebtedness, but do not prohibit it from doing so. Borrowings under debt instruments that contain cross-acceleration or cross-default provisions may as a result also be accelerated and become due and payable. The Issuer or any of its subsidiaries may be unable to pay these debts in such circumstances. The incurrence of additional indebtedness would increase the leverage-related risks described in this offering memorandum.

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

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

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

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

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

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

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. The FCA has indicated through a series of announcements that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Separately, the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, LIBOR and EURIBOR will continue to be supported going forward. This may cause LIBOR and EURIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted., Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have an adverse impact on the interest we pay on borrowings under the Super Senior Facilities. To the extent that interest rates were to increase significantly, our interest expense could correspondingly increase, thereby reducing our cash flow.

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

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

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

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

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

Risks Related to the Notes, the Guarantees and the Collateral

The Issuer is a holding company dependent upon cash flows from its subsidiaries to meet its obligations on the Notes.

As of the Issue Date and prior to the Acquisition Closing Date, the Issuer will have no material assets other than the interest in the Escrow Account into which the proceeds of the Offering will be deposited and which will be charged in favor of the Trustee on behalf of the holders of the Notes pursuant to the Escrow Charge. If the Acquisition does not occur on or prior to the Escrow Longstop Date or if certain other events that trigger escrow termination occur, the Notes will be subject to a special mandatory redemption, and the Issuer will be dependent on any cash received from the Sponsor pursuant to the Equity Commitment Letter or any third party financing it can procure in order to fund any shortfall in the Escrow Account, including in respect of accrued interest and additional amounts, if any, payable in connection with such special mandatory redemption. See also "*—Risks Related to the Acquisition—If certain conditions are not satisfied on or prior to the Escrow Longstop Date, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*."

After the Acquisition Closing Date, the Issuer will be a holding company that does not have any revenue-generating activities of its own and does not have any business operations or material assets (other than its shareholding in the Target). Consequently, payment of interest and repayment of its indebtedness, including under the Notes, will be dependent on the ability of its subsidiaries to make such cash available to the Issuer, by either dividend distributions or intercompany loans, or both. The Issuer's subsidiaries may not be able, or may be restricted by the terms of their existing or future indebtedness or by law, to make such dividend distributions or advance upstream loans to enable it to make payments with respect to its indebtedness, including the Notes. Each of its subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit its ability to obtain cash from its subsidiaries.

While the Indenture and the terms of the Super Senior Facilities Agreement limit the ability of the Issuer's subsidiaries to incur additional indebtedness and include contractual restrictions on their ability to pay dividends or make other intercompany payments to it, these limitations are subject to certain significant qualifications and exceptions. The Issuer cannot assure you that arrangements with its subsidiaries, the funding permitted by the agreements governing existing and future indebtedness of its subsidiaries and its results of operations and cash flow generally will provide it with sufficient dividends, distributions or loans to fund payments on the Notes. Additionally, the Target is organized as a stock corporation under German law and dividends may only be distributed out of current profits and distributable reserves pursuant to the non-consolidated German GAAP financial statements of the Target and, generally, interim dividends are not permitted under the German Stock Corporation Act.

In the event that the Issues does not receive distributions or other payments from its subsidiaries, the Issuer may be unable to make required principal and interest payments on the Notes. The Issuer does not expect to have any other sources of funds that would allow the Issuer to make payments to holders of the Notes.

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

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

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

On the Issue Date, the Notes will not be guaranteed by any member of the Target Group. Within 30 business days following the Control Date, the Notes will be guaranteed on a senior basis by the Target and any other member of the Target Group that is a guarantor under the Super Senior Facilities Agreement. However, not all of the Group's subsidiaries will guarantee the Notes. The Group's non-Guarantor subsidiaries will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose unless they guarantee the Notes. Generally, claims of creditors of a non-Guarantor subsidiary, including trade creditors and preference shareholders (if any), will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders under the Notes or the Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of the non-Guarantor entities, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes and each Guarantee will be structurally subordinated to the creditors (including trade creditors and, from the date such Guarantor becomes a borrower or guarantor under the Super Senior Facilities Agreement until the date on which it grants a Guarantee, the lenders under the Super Senior Facilities) and preference shareholders (if any) of the Group's non-Guarantor entities. In addition, the terms of the Indenture as well as the Group's other indebtedness allow the non-Guarantor subsidiaries to incur additional debt in the future, which will be structurally senior to the Notes. As of and for the twelve months ended March 31, 2020, the aggregated revenue, aggregated EBITDA and aggregated total assets, each calculated on an unconsolidated basis and excluding intra-group profits, of the Target Group that will be non-Guarantor entities together represented 14%, 14% and 9% of the consolidated sales revenue, EBITDA and total assets, respectively, of the Target Group. As of March 31, 2020, on a *pro forma* basis for the Transactions, these non-Guarantor entities had approximately €5.0 million of financial debt. See "*Description of Certain Financing Arrangements*" and "*Description of the Notes.*"

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

Prior to the date the guarantees of the Guarantors and the Post-Control Date Collateral are granted (the "**Relevant Date**"), proceeds received upon an enforcement (sale) of such guarantees and/or of the Post-Control Date Collateral will not be paid to the Noteholders. Following the Relevant Date, the Notes will be guaranteed by the same entities that also guarantee the Super Senior Facilities. Furthermore, from and following the Relevant Date, the obligations of the Issuer under the Notes and the related Guarantees will be secured on a first-ranking basis with security interests over the Collateral (other than the Escrow Charge) that also secures the obligations under the Super Senior Facilities, certain hedging obligations and certain additional indebtedness with "super senior" status. The Indenture also permits the Collateral (other than the Escrow Charge) to be pledged to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the liabilities under the Super Senior Facilities, certain hedging obligations and certain additional indebtedness with "super senior" status will have priority over any amounts received from the sale of the Collateral (other than the Escrow Charge) pursuant to an enforcement action taken with respect to the Collateral. As such, in the event of a foreclosure on the Collateral, you may not be able to recover on the Collateral if the then-outstanding claims under the Super Senior Facilities, certain hedging obligations and certain additional indebtedness with "super senior" status are greater than the proceeds realized. Any proceeds from an enforcement sale of the Collateral by any creditor will, after all obligations under the Super Senior Facilities, certain hedging obligations and certain additional indebtedness with "super senior" status have been discharged from such recoveries, be applied *pro rata* in repayment of the Notes and any other obligations secured by the Collateral on an equal basis with the Notes.

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

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

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

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

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

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

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

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

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

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

On the Issue Date, the Notes will not be secured by all of the Collateral, as further described under "*Description of the Notes—Security*." On the Issue Date, the Notes will be secured by the Issue Date Collateral. At the earlier of (i) the date falling five business days after the Acquisition Closing Date and (ii) the date on which the Issuer grants such security for the benefit of the Super Senior Facilities, the Notes will be secured by the Post-Acquisition Closing Date Collateral and within 30 business days following the Control Date by the Post-Control Date Collateral. The security interests will be limited to the same extent as those under the Super Senior Facilities and otherwise as set forth under "*Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests,"* which limitations could be significant. In the event of an enforcement of the security interests granted by a member of the Target Group prior to the date on which the Post-Control Date Collateral secured the Notes, the Intercreditor Agreement will provide that holders of the Notes will not be entitled to receive any proceeds of such enforcement. The Notes will not be guaranteed on the Issue Date. Within 30 business days following the Control Date, the obligations of the Issuer pursuant to the Notes will, subject to the agreed security principles, be guaranteed, jointly and severally on a senior basis, by the Guarantors. Each of the Guarantors will also be a guarantor under the Super Senior Facilities. The validity and enforceability of the Guarantees will be subject to significant limitations as described in "*Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

It should be noted that if a guarantee or a security interest granted by a Guarantor in certain jurisdictions is granted or perfected after the secured obligation arose, such guarantee or security interest may be subject to claw-back provisions under applicable local insolvency laws and are described in more detail under "*Description of Certain Financing Arrangements—Super Senior Facilities Agreement*."

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

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

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

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

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

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

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

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

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

The Issuer and certain Guarantors are organized under the laws of Germany. Other Guarantors are incorporated in the United Kingdom. Enforcement of the obligations under a Guarantee against, and/or any Collateral provided by, as applicable, any such Guarantor and/or security provider will be subject to certain defenses available to the relevant Guarantor or security provider. These laws and defenses may include those that relate to fraudulent conveyance, financial assistance, corporate benefit, capital maintenance, liquidity maintenance or similar laws as well as regulations or defenses affecting the rights of creditors generally, particularly by limiting the amounts recoverable under the Guarantees and Collateral, as applicable. The amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed or secured by a particular Guarantor or security provider under the applicable laws of each jurisdiction, to the extent that the granting of such Guarantee or Collateral is not in the relevant Guarantor's or security provider's corporate interests, or the burden of such Guarantee or Collateral exceeds the benefit to the relevant Guarantor or security provider, or such Guarantee or Collateral would be in breach of capital maintenance, liquidity maintenance or thin capitalization rules or any other general statutory laws and/or would cause the directors of such subsidiary Guarantor or security provider to contravene their fiduciary duties and incur civil or criminal liability.

In relation to stock corporations (*Aktiengesellschaften,* "AG") strict German capital maintenance rules as set out in the German Stock Corporation Act (*Aktiengesetz*, "AktG") apply. Guarantees and/or security interests provided by an AG and/or its direct or indirect subsidiaries in order to guarantee or secure liabilities of any direct or indirect parent or affiliate company (such as the Issuer) are, unless a specific exception applies, considered disbursements violating German capital maintenance law. Furthermore, the granting of guarantees and/or security interests by an AG or its direct or indirect subsidiaries which serve the purpose of supporting the financing of the acquisition of shares in such AG (*financial assistance*) is prohibited and, therefore, invalid.

Investors should note that the Target, which together with the other Guarantors, is expected to provide a Guarantee and security over certain Collateral for the Notes after the Control Date under certain conditions set forth in the Indenture, is incorporated in Germany in the form of an AG.

According to the wording of the law, both the prohibition of financial assistance as well as the capital maintenance requirements described above are not applicable while a domination and/or profit and loss pooling agreement (*Beherrschungs- und/oder Gewinnabführungsvertrag*, "Domination Agreement") exists between the AG and the shareholder on whose instructions the relevant guarantee and/or security interest is granted. However, neither the Indenture nor the Super Senior Facilities Agreement will contain any covenant requiring the Issuer or any of its subsidiaries to take any efforts to implement or maintain a Domination Agreement. Furthermore, even in case a Domination Agreement is in place and provided that certain other requirements are met, the granting of guarantees and/or security interests by an AG and/or its direct or indirect subsidiaries (whether or not to support the acquisition of such AG) may be considered to be in violation of the capital maintenance rules and financial assistance restrictions, in which case such guarantees and security interests can be void, unenforceable, restricted and/or subject to a clawback claim against the beneficiary. In particular, under the prevailing view in German legal literature, the Domination Agreement exemption only applies if payments under the guarantee or enforcement of the security interests, as applicable, do not cause the dominated entity (*i.e.*, the AG) to incur a balance sheet loss for which it cannot reasonably expect to be compensated for by the dominating entity due to the financial condition of the dominating entity. Therefore, any Guarantees and/or Collateral provided by an AG, including the Target and any of its direct and indirect subsidiaries will be subject to certain contractual limitations (so called "limitation language") contained in the Indenture (or any other document governing the Guarantees) and Security Documents, respectively, designed to ensure compliance with applicable capital maintenance, liquidity maintenance or any other general statutory laws. With respect to the Domination Agreement exemption, such contractual enforcement limitations will apply notwithstanding the existence of a Domination Agreement if and to the extent the enforcement of the Guarantee and/or Collateral, as applicable, provided by an AG, including the Target and/or any of its direct and indirect subsidiaries will, or must expected to, result in an annual loss of the respective AG and such annual loss would not be, or cannot expected to be, compensated for by a compensation claim under the Domination Agreementthat can be accounted for in the balance sheet of the Target at full (*vollwertig*).

In addition, guarantees and/or security interests granted by a German limited liability company (*Gesellschaft mit beschränkter Haftung*, "GmbH") or a partnership with a GmbH as general partner (*i.e.*, a GmbH & Co. KG) for the purpose of guaranteeing or securing liabilities of its direct or indirect shareholders or a subsidiary of such shareholders (excluding direct or indirect subsidiaries of such GmbH or GmbH & Co. KG) are considered to constitute a benefit for such shareholder and therefore are subject to certain capital maintenance and liquidity maintenance rules. Therefore, any Guarantees and/or Collateral provided by a GmbH, including by German Holdco, will be subject to certain contractual limitations (so called "limitation language") contained in the Indenture (or any other document under which any Guarantee is granted) and Security Documents, respectively, designed to ensure compliance with applicable capital maintenance, liquidity maintenance or any other general statutory laws. The pledge over the Target shares is granted by the Issuer and will be subject to "limitation language."

In addition, any guarantee and/or security interest granted by an AG may be held invalid pursuant to Section 138 of the German Civil Code (*Bürgerliches Gesetzbuch*, "BGB") and would therefore not be enforceable if, at the time of the creation or enforcement of any such guarantee and/or security interest, amongst others, the third-party creditor had colluded with the affiliate (*kollusives Zusammenwirken*) to the detriment of the AG or other third-party creditors of the AG.

Similarly, any guarantee and/or security interest granted by a GmbH may be held invalid pursuant to Section 138 of the BGB and would therefore not be enforceable if, at the time of the creation or enforcement of any such guarantee and/or security interest, amongst others, the third-party creditor had colluded with the affiliate (*kollusives Zusammenwirken*) to the detriment of the GmbH or other third-party creditors of the GmbH. These principles apply mutatis mutandis to a GmbH & Co. KG.

As a result, the Target's and any other Guarantor's or security provider's liability under its Guarantee or the Security Documents could be materially reduced or eliminated, depending upon the law and contractual enforcement restrictions applicable to it. This could lead to a situation in which such Guarantee or Security Interest cannot be enforced at all. It is possible that a Guarantor or security provider, or any of their creditors, or the bankruptcy trustee or other insolvency office holder in the case of a bankruptcy/insolvency of a Guarantor or security provider, may contest the validity and enforceability of the Guarantor's Guarantee or the security provider's Collateral on any of the above grounds and that the applicable court may determine that the Guarantee or Security Interest should be limited or voided. To the extent that any limitations on the relevant Guarantees or Security Interests apply, the Notes would be to that extent effectively subordinated to all liabilities of the applicable Guarantor or security provider, including trade payables of such Guarantor or security provider. Future Guarantees and Security Interests may be subject to similar limitations. See *"Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests."*

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

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

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

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

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

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

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

Enforcement of the Collateral across multiple jurisdictions may be difficult.

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

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

The Issuer and certain Guarantors are organized under the laws of Germany. Other Guarantors are incorporated in the United Kingdom. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Germany, the United Kingdom or other relevant jurisdictions. Such multi-jurisdictional proceedings may be complex and more costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the Notes, the Guarantees and the Collateral will be subject to the insolvency and administrative laws of several jurisdictions, and there can be no assurance that you will be able to effectively enforce your rights in such complex, multiple bankruptcy, insolvency or similar proceedings.

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

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

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

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

Absent perfection, the holder of the security interest may have difficulty enforcing such holder's rights in the Collateral with regard to third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral and some security interests do not actually create the purported security interest if not properly perfected. In addition, a debtor may discharge its obligation by paying the security provider until, but not after, the debtor receives a notification of the existence of the security interest granted by the security provider in favor of the security taken over the claims the security taker (as creditor) has against the debtor. Finally, since the ranking of pledges is sometimes determined by the date on which they became enforceable against third parties, a security interest created on a later date over the same Collateral, but which came into force for third parties earlier (by way of registration in the appropriate register or by notification) may have priority. Neither the Trustee nor the Security Agent has any obligation or responsibility to monitor the acquisition of additional property or rights that constitute collateral or the perfection of, or to take steps or actions to perfect or ensure the perfection of, any security interest in the Notes against third parties. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*" for further information.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Notes offered hereby are denominated and payable in euros. If you measure your investment returns by reference to a currency other than euros, an investment in the Notes will entail foreign exchange risks related to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which you measure the return on your investments because of economic, political and other factors over which the Issuer has no control. Depreciation of the euro against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the Notes below the stated coupon rate 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. In addition, there may be tax consequences to holders subject to US federal income tax as a result of any foreign exchange gains or losses resulting from an investment in the Notes. See "*Taxation—Certain US Federal Income Tax Considerations.*"

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

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

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

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

Accordingly, if you own a book-entry interest in the 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 Notes under the Indenture.

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

USE OF PROCEEDS

The Issuer estimates that the gross proceeds from the Offering will be €320.0 million. Pending consummation of the Acquisition, the Initial Purchasers will, concurrently with the issuance of the Notes on the Issue Date, deposit the gross proceeds from the Offering into the Escrow Account. The release of the Escrow Proceeds will be subject to the satisfaction of certain conditions, including the closing of the Acquisition. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.*"

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

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

Sources	in € million	Uses	in € million
Notes offered hereby(1)	320.0	Acquisition consideration(3)	520.0
Equity Contribution(2)	241.0	Transaction costs(4)	41.0
Total Sources	**561.0**	Total Uses	**561.0**

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

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

(3) Purchase consideration for the Seller's 76.00% stake, for the avoidance of doubt, not including any Offering Consideration to be paid to any Target Shareholders in connection with the Takeover Offer. See "*Summary—The Transactions—The Acquisition*."

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

CAPITALIZATION

The following table sets forth, in each case, the cash and cash equivalents and capitalization as of March 31, 2020 (i) of the Target Group, on an actual, historical consolidated basis, and (ii) of the Issuer, as adjusted on a *pro forma* basis to give effect to the Transactions as described under "*Use of Proceeds*" as if they had occurred on March 31, 2020. The adjusted amounts do not reflect the accounting treatment of the Transactions, especially the Acquisition under IFRS.

You should read this table in conjunction with "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Description of Certain Financing Arrangements*," "*Description of the Notes*" and the unaudited condensed consolidated interim financial statements of the Target as of March 31, 2020, including the notes thereto, included elsewhere in this offering memorandum. Except as set forth below, there have been no material changes to the capitalization of the Target Group since March 31, 2020.

	As of March 31, 2020	
	Actual	**As adjusted**
	€ million	
	(unaudited)	**(unaudited)**
Cash and cash equivalents[(1)]	**116.8**	**61.8**
Notes offered hereby[(2)]	—	320.0
Super Senior Facilities[(3)]	—	—
Other financial debt[(4)]	6.4	6.4
Total financial debt[(5)]	**6.4**	**326.4**
Shareholder Loan[(6)]	—	46.0
Total equity[(7)]	484.1	195.0
Total capitalization	**490.5**	**567.4**

(1) The historical amount represents cash and cash equivalents shown in the unaudited condensed consolidated interim financial statements of the Target Group as of March 31, 2020. The adjusted amount reflects (i) the ordinary dividend payment for the financial year 2019 made in June 2020 in an amount of €15.0 million and (ii) the dividend payment for the financial year 2020 to the Sponsor in 2021 in an expected amount of €40.0 million.

(2) The adjusted amount reflects the aggregate principal amount of the Notes of €320.0 million.

(3) As of the Issue Date and the Acquisition Closing Date, respectively, no amounts are expected to be drawn in cash under the Cash RCF Facility. However, on or about the Acquisition Closing Date, the Group will refinance, including by way of back-to-back guarantees, all existing letters of credit and performance bonds issued in the ordinary course of business of the Target Group (and in each case guaranteeing operational liabilities only and not financial liabilities) by way of utilization under the L/G RCF Facility. As of June 30, 2020, the Target Group had outstanding letters of credit and performance bonds in an aggregate amount of approximately €115 million. See "*Description of Certain Financing Arrangements—Super Senior Facilities Agreement.*"

(4) Represents the carrying amount of non-current financial liabilities and current financial liabilities shown in the unaudited condensed consolidated interim financial statements of the Target Group as of March 31, 2020.

(5) Does not include the (short-term) Shareholder Loan II which is expected to be repaid through a dividend to the Sponsor in 2021 (see footnote (1) above).

(6) The adjusted amount reflects the principal amount of the Shareholder Loan I the Sponsor will grant to the Issuer through intermediate holding companies in connection with the Transactions. See "*Description of Certain Financing Arrangements—Shareholder Loan I.*"

(7) The historical amount represents the carrying amount of equity shown in the unaudited condensed consolidated interim financial statements of the Target Group as of March 31, 2020. The adjusted amount reflects the Equity Contribution (including the Shareholder Loan II in the amount of €40 million but excluding the Shareholder Loan I in the amount of €46 million) but does not reflect estimated transaction costs of €41.0 million. See "*Use of Proceeds.*"

SELECTED FINANCIAL INFORMATION

The following tables set forth selected consolidated financial information of RENK AG as of and for the periods indicated. The selected historical consolidated financial information has been taken or derived from the audited consolidated financial statements of RENK AG as of and for the fiscal years ended December 31, 2018 (with comparative financial information as of and for the fiscal year ended December 31, 2017) and 2019 (with comparative financial information as of and for the fiscal year ended December 31, 2018) and the unaudited condensed consolidated interim financial statements of RENK AG as of and for the three months period ended March 31, 2020 (with comparative financial information for the three months period ended March 31, 2019), including the related notes thereto, included elsewhere in this offering memorandum, as well as from its internal accounting system.

The financial information marked as "audited" in tables in this offering memorandum is taken from the audited consolidated financial statement mentioned above. Financial information marked as "unaudited" in tables in this offering memorandum is not taken from the audited consolidated financial statements and was taken from RENK AG's internal accounting system or is based on calculations of figures of the above mentioned sources.

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

Consolidated Income Statement Information

	Fiscal year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	(€ thousand)				
	(audited)			(unaudited)	
Sales revenue	469,406	502,218	558,609	96,492	113,367
Cost of sales	(354,223)	(383,442)	(428,790)	(78,554)	(91,419)
Gross profit	**115,183**	**118,776**	**129,819**	**17,938**	**21,948**
Other operating income	3,807	7,418	8,350	645	2,598
Net allowances on financial assets	—	(508)	(683)	254	605
Distribution expenses	(35,094)	(37,412)	(39,732)	(9,653)	(10,461)
General administrative expenses	(19,889)	(22,342)	(27,520)	(5,470)	(6,916)
Other operating expenses	(3,960)	(5,721)	(9,811)	(1,908)	(3,988)
Operating profit	**60,047**	**60,213**	**60,423**	**1,806**	**3,785**
Interest expense	(462)	(400)	(828)	(332)	(338)
Other financial result	1,619	1,802	2,728	232	(38)
Financial result	**1,157**	**1,402**	**1,900**	**(100)**	**(376)**
Profit before taxes	**61,204**	**61,615**	**62,323**	**1,706**	**3,410**
Income tax expense	(18,376)	(19,105)	(18,152)	(529)	(1,016)
Profit after tax (share of RENK shareholders)	**42,828**	**42,510**	**44,171**	**1,177**	**2,394**

Selected Consolidated Balance Sheet Information

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	(€ thousand) (audited)			(unaudited)
ASSETS				
Non-current assets	**215,232**	**230,008**	**309,855**	**311,936**
Current assets	**484,765**	**523,353**	**504,956**	**517,487**
Total assets	**699,997**	**753,361**	**814,811**	**829,424**
EQUITY AND LIABILITIES				
Equity	**421,851**	**449,935**	**483,699**	**484,094**
Non-current liabilities and provisions	**93,978**	**106,742**	**114,418**	**103,172**
Current liabilities and provisions	**184,169**	**196,683**	**216,694**	**242,159**
Total liabilities and provisions	**699,997**	**753,361**	**814,811**	**829,424**

Selected Consolidated Cash Flow Statement Information

	Fiscal year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	(€ thousand)				
	(audited)			(unaudited)	
Cash flows from operating activities	**24,849**	**34,706**	**7,462**	**12,495**	**22,009**
Cash flows from investing activities	**(23,648)**	**(33,136)**	**(73,222)**	**(5,125)**	**(7,742)**
Cash flows from financing activities	**(14,960)**	**(14,960)**	**(17,968)**	**(189)**	**(285)**
Change in cash and cash equivalents	**(15,404)**	**(12,853)**	**(83,224)**	**7,358**	**14,305**
Cash and cash equivalents at the end of the period	**198,553**	**185,700**	**102,476**	**193,058**	**116,781**

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

The following is a discussion of the results of operations and financial condition of the Target Group as of and for the fiscal years ended December 31, 2017, 2018 and 2019 and the three months periods ended March 31, 2019 and 2020. The consolidated financial information contained in the following section is taken or derived from the audited consolidated financial statements of RENK AG as of and for the fiscal years ended December 31, 2018 (with comparative financial information as of and for the fiscal year ended December 31, 2017) and 2019 (with comparative financial information as of and for the fiscal year ended December 31, 2018), and the unaudited condensed consolidated interim financial statements of RENK AG as of and for the three months period ended March 31, 2020 (with comparative financial information for the three months period ended March 31, 2019), including the related notes thereto, which are included elsewhere in this offering memorandum, as well as from RENK AG's internal accounting system.

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

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

The accounting standards IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" took effect as of January 1, 2018.

IFRS 9 changes the accounting requirements for classifying and measuring financial assets, for impairment of financial assets, and for hedge accounting. IFRS 15 specifies new accounting rules for revenue recognition. For both accounting standards Target Group applied the modified retrospective transition method in its consolidated financial statements as of December 31, 2018 which means that the comparison figures for 2017 are not restated, and thus not comparable. In order to facilitate a comparison between periods, please refer for further details on the impacts on specific financial statement line items to Note 3 and 5 within the consolidated financial statements for the year ended December 31, 2018.

The following discussion should be read in conjunction with "Selected Financial Information" and RENK AG's audited consolidated financial statements as of and for the fiscal years ended December 31, 2018 (with comparative financial information as of and for the fiscal year ended December 31, 2017) and 2019 (with comparative financial information as of and for the fiscal year ended December 31, 2018), including the related notes thereto, as well as unaudited condensed consolidated interim financial statements as of and for the three months period ended March 31, 2020 (with comparative financial information for the three months period ended March 31, 2019), including the related notes thereto, contained elsewhere in this offering memorandum. In addition, some of the information contained in this discussion contain forward looking statements that involve risks and uncertainties. You should read "Forward Looking Statements" for a discussion of the risks related to those statements. You should also read "Business" and "Risk Factors" for more information about the Group, including a discussion of certain factors that may adversely affect the Group's business, results of operations and financial condition.

Overview

The Group is a leading global manufacturer of high quality automatic transmissions, gear units, slide bearings, suspension systems, couplings and test systems. It serves a diverse range of end-markets with a particular focus on armored vehicles, defense and civil marine, energy generation, cement production, plastics production, oil & gas, and other industries. The Group's products are, in many cases, mission-critical to its customers' end-products and require high quality and reliability. As a result, the Group is a trusted supplier of premium products and is involved at all critical stages of its customers' value chain, from engineering, to commissioning and aftermarket services. Long-term contracts in certain of its business units, in particular vehicle transmissions and Navy gearboxes, together with recurring revenue streams from the Group's aftermarket business, provide stability of its sales revenues and profitability as well as a natural hedge during economic downturns. For the twelve months period ended March 31, 2020, the Target Group generated sales revenue of €575 million and EBITDA of €87 million.

The Group operates through four business units: Vehicle Transmissions, Special Gear Units, Standard Gear Units and Slide Bearings, which also represent the segments of the Group.

The *Vehicle Transmissions* business unit is one of the leading producers of fully automatic transmissions for medium- and heavy-weight tracked vehicles according to the Third Party Report as well as a producer of test rigs for various industrial end-markets. On April 16, 2019, the Target acquired the Horstman Group, a provider of armored vehicle suspension systems, which added manufacturing capabilities in the United Kingdom and the United States in addition to this business unit's existing production operations in Germany and France. In the fiscal year ended December 31, 2019, 40.9% of the Target Group's sales revenue with third parties and 72.1% of its operating profit (before consolidation) were generated by its Vehicles Transmissions business unit.

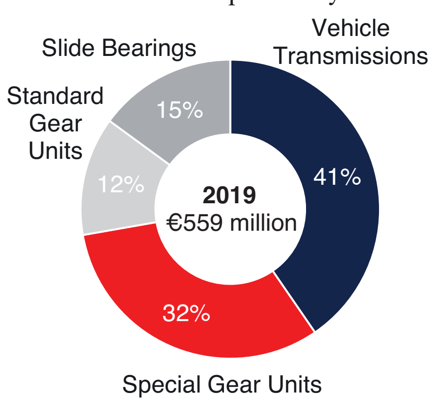
The *Special Gear Units* business unit comprises of the production of large gear units, ranging from stationary gear units for a variety of industrial applications to high-speed gear units mainly for oil & gas and complex gear units for fast ferries, mega-yachts and naval applications. According to the Third Party Report, the Group is a global leader in naval defense applications and gear systems for combined propulsion systems. In the fiscal year ended December 31, 2019, 32.0% of the Target Group's sales revenue with third parties and 10.3% of its operating profit (before consolidation) were generated by the Special Gear Units business unit.

The *Standard Gear Units* business unit specializes in the production of marine gearboxes for merchant ships, ferries, LNG/LPG tankers, and other specialty ships, as well as stationary gearboxes and couplings for energy generation, oil & gas, and other industrial applications. This business unit is a technology player with a market leading position for large single and twin engine marine gear units. In the fiscal year ended December 31, 2019, 12.2% of the Target Group's sales revenue with third parties and 1.7% of its operating profit (before consolidation) were generated by the Standard Gear Units business unit.

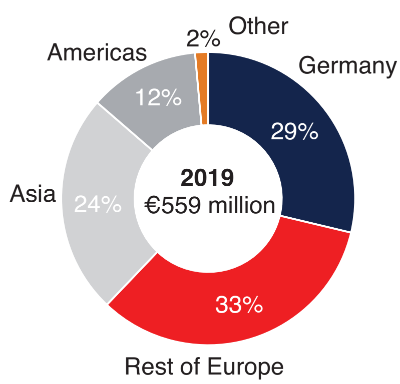
The *Slide Bearings* business unit primarily supplies hydro-dynamically lubricated slide bearings used in electric motors, generators, pumps, blowers, water turbines, conveyors and marine applications. The Group believes it is the global leader in E-bearings for electrical machines with a global distribution network. In the fiscal year ended December 31, 2019, 14.9% of the Target Group's sales revenue with third parties and 15.9% of its operating profit (before consolidation) were generated by its Slide Bearings business unit.

The charts below provide an overview of the Target Group's sales revenue with third parties by business unit and split by geography for the fiscal year ended December 31, 2019:

Sales revenue with third parties by business unit



Split by geography



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

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

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

Headquartered in Augsburg, Germany, the Target Group operates seven production sites and 13 branch offices around the world. Its production sites are located in Germany (Augsburg, Rheine, Hanover), Switzerland (Winterthur), France (Saint-Ouen-l'Aumône), the United Kingdom (Bath) and the United States (Sterling Heights). As of March 31, 2020, the Target Group had 2,563 employees (including consolidated entities only), of which 2,198 were located in Germany.

Key Factors Affecting the Group's Results of Operations

New Product Sales Volumes and Aftersales Business

The Group's revenue is primarily a function of two factors: (i) the number of products the Group sells and the prices at which the Group sells such products; and (ii) the Group's ability to generate revenue from aftersales services provided for such products. The Group's solid revenue growth has been a key driver of the Group's gross profit during the periods under review. During any given period, the Group's results of operations are affected by the mix of products sold in each business unit and the relative contribution of each business unit to the Group's overall results.

The Target Group's results of operations depend on its ability to sell products to customers and to generate revenue from aftersales services (*e.g.*, spare parts and maintenance and overhaul services), which typically generate higher margins. For example, from the fiscal year ended December 31, 2017 to the fiscal year ended December 31, 2019, sales revenue increased by approximately 19%. While new business revenue increased by approximately 15% over the same period, aftersales revenue increased by approximately 26%. The Group's significant exposure to the defense segment (Vehicle Transmissions and Navy gearboxes) and multiple end markets in its industrial business provide a degree of stability during periods of economic downturns as well as recurring revenue due to the long-term nature of the contracts and life of the products. For example, in 2019, new product and aftermarket sales revenues, including intercompany revenues in the Target Group's defense business generated more than half of the Target Group's total sales revenue. Sales revenue in the Target Group's industrial business accounted for the remaining part of the Target Group's total sales revenue. While the relative share of new product and higher-margin aftersales revenues may fluctuate from year to year given the project nature of the Group's business, the aftersales business, coupled with the long product life of many of the Group's products, offers a degree of resiliency and revenue visibility.

Technological Innovation

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

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

In the fiscal years ended December 31, 2017, 2018 and 2019, the Target Group had €14,098 thousand, €13,069 thousand and €13,711 thousand, respectively, of its own funds in the development of new products and the enhancement of existing ones, classified as R&D Costs under IFRS, presented within the cost of sales. In addition, development of the Target Group's more customized products is carried out in cooperation with the Target Group's customers in order to meet specified requirements. The Target Group incurred €13.7 million in R&D Costs in the fiscal year ended December 31, 2019 for the development of new and existing products and technology. In addition, the Target Group conducts similar research and development activities on an order-specific basis depending on its customers' demands and needs. These costs are recognized within the Target Group's cost of sales and are assigned to the respective customer order. These costs amounted to about double the Target Group's R&D Costs during the fiscal year ended December 31, 2019, see "*Business—R&D*."

Acquisition of the Horstman Group

On April 16, 2019, RENK AG acquired all shares in the Horstman Group, an armored vehicle suspensions system provider, at a converted purchase price of € 44.4 million, representing total identifiable net assets in an amount of €38.7 million and goodwill of € 5.7 million. In 2019, the Target Group's sales revenue include € 31.7 million generated by Horstman. If the acquisition had been consummated on January 1, 2019, estimated additional sales revenue of € 13.0 million and additional earnings of € 1.2 million would have been generated in 2019. In 2019, the Target Group incurred costs of € 879 thousand for legal and due diligence services in connection with the business combination. These costs are recognized in other operating expenses.

For additional information on the acquisitions of the Horstman Group, see Note 14 of the 2019 Audited Consolidated Financial Statements.

Revenue Generation through the Fiscal Quarters

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

Explanation of Key Line Items

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

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

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

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

General administrative expenses. General administrative expenses primarily comprise expenses related to the Executive Board, HR, Finance, Strategy and international IT departments.

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

Interest expense. Interest expense consists of interest cost on provisions and liabilities and interest and similar expenses.

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

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

Results of Operations

The following table sets forth the Target Group's consolidated income statement for the periods presented:

	Fiscal year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
			(€ thousand)		
		(audited)		(unaudited)	
Sales revenue	469,406	502,218	558,609	96,492	113,367
Cost of sales	(354,223)	(383,442)	(428,790)	(78,554)	(91,419)
Gross profit	**115,183**	**118,776**	**129,819**	**17,938**	**21,948**
Other operating income	3,807	7,418	8,350	645	2,598
Net allowances on financial assets	—	(508)	(683)	254	605
Distribution expenses	(35,094)	(37,412)	(39,732)	(9,653)	(10,461)
General administrative expenses	(19,889)	(22,342)	(27,520)	(5,470)	(6,916)
Other operating expenses	(3,960)	(5,721)	(9,811)	(1,908)	(3,988)
Operating profit	**60,047**	**60,213**	**60,423**	**1,806**	**3,785**
Interest expense	(462)	(400)	(828)	(332)	(338)
Other financial result	1,619	1,802	2,728	232	(38)
Financial result	**1,157**	**1,402**	**1,900**	**(100)**	**(376)**
Profit before taxes	**61,204**	**61,615**	**62,323**	**1,706**	**3,410**
Income tax expense	(18,376)	(19,105)	(18,152)	(529)	(1,016)
Profit after tax (share of RENK shareholders)	**42,828**	**42,510**	**44,171**	**1,177**	**2,394**

Three Months Ended March 31, 2020 Compared to Three Months Ended March 31, 2019

Sales revenue

Sales revenue increased by € 16,875 thousand, or 17.5%, from € 96,492 thousand for the three months ended March 31, 2019 to € 113,367 thousand for the three months ended March 31, 2020. The increase was primarily attributable to Vehicle Transmissions.

Vehicle Transmissions: Sales revenue with third parties generated by our Vehicle Transmissions business unit increased by € 14,072 thousand, or 38.1%, from € 36,905 thousand for the three months ended March 31, 2019 to € 50,977 thousand for the three months ended March 31, 2020. The increase was primarily attributable to the consolidation of Horstman (Horstman joined RENK in Q2/2019) and additional sales at RENK AG.

Special Gear Units: Sales revenue with third parties generated by our Special Gear Units business unit increased by € 1,590 thousand, or 7.2%, from € 22,185 thousand for the three months ended March 31, 2019 to € 23,775 thousand for the three months ended March 31, 2020. The increase was primarily attributable to higher sales of Stationary Gear Units.

Standard Gear Units: Sales revenue with third parties generated by our Standard Gear Units business unit decreased by € 2,241 thousand, or 12.6%, from € 17,811 thousand for the three months ended March 31, 2019 to € 15,570 thousand for the three months ended March 31, 2020. The decrease was attributable to lower sales with couplings and maritime gear units.

Slide Bearings: Sales revenue with third parties generated by our Slide Bearings business unit increased by € 3,454 thousand, or 17.6%, from € 19,591 thousand for the three months ended March 31, 2019 to € 23,045 thousand for the three months ended March 31, 2020. The increase was primarily attributable to the e-bearing and project business.

Cost of sales

Cost of sales increased by € 12,865 thousand, or 16.4%, from € 78,554 thousand for the three months ended March 31, 2019 to € 91,419 thousand for the three months ended March 31, 2020 which was in line with the development of sales revenue.

Other operating income

Other operating income increased by € 1,953 thousand, from € 645 thousand for the three months ended March 31, 2019 to € 2,598 thousand for the three months ended March 31, 2020. The increase was primarily attributable to earnings from costs charged on and currency gains. Income from costs charged on related to consulting services and internal costs related to the disposal of the equity investment in RENK AG by the Volkswagen Group, see also "*—Other operating expenses*."

Distribution expenses

Distribution expenses increased by € 808 thousand, or 8.4%, from € 9,653 thousand in the fiscal year ended March 31, 2019 to € 10,461 thousand for the three months ended March 31, 2020.

General administrative expenses

General administrative expenses increased by € 1,446 thousand, or 26.4%, from € 5,470 thousand for the three months ended March 31, 2019 to € 6,916 thousand for the three months ended March 31, 2020. The increase is mainly caused by the consolidation of Horstman in April 2019.

Other operating expenses

Other operating expenses increased by € 2,080 thousand, from € 1,908 thousand for the three months ended March 31, 2019 to € 3,988 thousand for the three months ended March 31, 2020. The increase was primarily attributable to higher expenses from exchange rate changes and derivatives and expenses from costs charged on, see also "*—Other operating income*."

Interest expense

Interest expense for the three months ended March 31, 2020 was with € 338 thousand on the same level as for the three months ended March 31, 2019 with € 332 thousand.

Other financial result

Other financial result decreased by € 270 thousand from an income of € 232 thousand for the three months ended March 31, 2019 to an expense of € 38 thousand for the three months ended March 31, 2020. The decrease was primarily attributable to reduced income from the fair value measurement of receivables in foreign currencies.

Income tax expense

Income tax expense increased by € 487 thousand, from € 529 thousand for the three months ended March 31, 2019 to € 1,016 thousand for the three months ended March 31, 2020 in line with the increased pre-tax profit.

Profit after tax (share of RENK shareholders)

Profit after tax (share of RENK shareholders) increased by € 1,217 thousand, or 103.4%, from € 1,177 thousand for the three months ended March 31, 2019 to € 2,394 thousand for the three months ended March 31, 2020. The increase was the result of the factors described above.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Sales revenue

Sales revenue increased by € 56,391 thousand, or 11.2%, from € 502,218 thousand in the fiscal year ended December 31, 2018 to € 558,609 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to the significant increase in sales revenue in our Vehicles Transmission segment, including the consolidation of the operating business from Horstman from April 16, 2019.

Vehicle Transmissions: Sales revenue with third parties generated by the Vehicle Transmissions business unit increased by € 54,025 thousand, or 31.0%, from € 174,422 thousand in the fiscal year ended December 31, 2018 to € 228,447 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to the first-time consolidation of Horstman in 2019. Sales revenue further increased as a result of the delivery of new transmissions, in particular for the PUMA and AJAX programs, and an increase in after-sales, in particular with respect to the HSWL 354 gear model used in the Leopard 2 tank and HSWL 256 (PUMA/AJAX).

Special Gear Units: Sales revenue with third parties generated by the Special Gear Units business unit increased by € 10,113 thousand, or 6.0%, from € 168.814 thousand in the fiscal year ended December 31, 2018 to € 178,927 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to the high Order Intake in the fiscal year ended December 31, 2018. Sales revenue with third parties for stationary gear units in Augsburg was in line with the previous year, with the considerable upturn in industrial gear units offsetting the significant decline in mill gear units. The marine gear units business in Augsburg saw sales revenue with third parties increase slightly year on year. In addition to deliveries for the long-term procurement projects from the US Navy and US Coast Guard, initial deliveries for a larger project with the Indian Navy had a particular impact. Gear sets for a number of individual or small series projects were also delivered, including a mega-yacht. RENK-MAAG again generated sales revenue with third parties in line with the previous year in in the fiscal year ended December 31, 2019.

Standard Gear Units: Sales revenue with third parties generated by the Standard Gear Units business unit decreased by € 5,922 thousand, or 8.0%, from € 73,838 thousand in the fiscal year ended December 31, 2018 to € 67,916 thousand in the fiscal year ended December 31, 2019. The decrease was primarily attributable to the continued decline in wind turbines, which was only partly offset by an increase in couplings and marine gear units.

Slide Bearings: Sales revenue with third parties generated by the Slide Bearings business unit decreased by € 1,825 thousand, or 2.1%, from € 85,144 thousand in the fiscal year ended December 31, 2018 to € 83,319 thousand in the fiscal year ended December 31, 2019. The decrease was primarily attributable to declines in project business.

Cost of sales

Cost of sales increased by € 45,348 thousand, or 11.8%, from € 383,442 thousand in the fiscal year ended December 31, 2018 to € 428,790 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to higher sales revenues in the fiscal year ended December 31, 2019 and the first-time consolidation of Horstman in 2019.

Other operating income

Other operating income increased by € 932 thousand, or 12.6%, from € 7,418 thousand in the fiscal year ended December 31, 2018 to € 8,350 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to an increase in income from exchange rate changes and derivatives of € 2,563 thousand, from € 1,623 thousand in the fiscal year ended December 31, 2018 to € 4,186 thousand in the fiscal year ended December 31, 2019 and income from costs charged on of € 1,601 thousand in the fiscal year ended year ended December 31, 2019, which related to consulting services and internal costs related to the disposal of the equity investment in RENK AG by the Volkswagen Group (see also "*—Other operating expenses*"). This was partially offset by a decrease in income from reversal of provisions and prior-period income.

Distribution expenses

Distribution expenses increased by € 2,320 thousand, or 6.2%, from € 37,412 thousand in the fiscal year ended December 31, 2018 to € 39,732 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to higher staff costs and the consolidation of distribution expenses of Horstman.

General administrative expenses

General administrative expenses increased by € 5,178 thousand, or 23.2%, from € 22,342 thousand in the fiscal year ended December 31, 2018 to € 27,520 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to the consolidation of general administrative expenses of Horstman. Additional expenses occurred for building up own structures to replace central service functions previously rendered by the MAN Group. and the costs passed on by MAN SE for these services provided in 2019.

Other operating expenses

Other operating expenses increased by € 4,090 thousand, or 71.5%, from € 5,721 thousand in the fiscal year ended December 31, 2018 to € 9,811 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to higher expenses from exchange rate changes and derivatives as well as, to a lesser extent, the Horstman acquisition and the ancillary acquisition costs with it. It also includes the costs borne by the Target in the first phase of preparing to sell the equity investments in RENK AG by the Volkswagen Group; see also "—*Other operating income*."

Interest expense

Interest expense increased by € 428 thousand, from € 400 thousand in the fiscal year ended December 31, 2018 to € 828 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to an increase in interest cost on provisions and liabilities which include interest expenses from lease liabilities in the amount of € 126 thousand. Those were recognized for the first time in the fiscal year ended December 31, 2019 due to the mandatory regulations under IFRS 16—Leases having been applied for the first time in the fiscal year ended December 31, 2019.

Other financial result

Other financial result increased by € 926 thousand, or 51.4%, from € 1,802 thousand in the fiscal year ended December 31, 2018 to € 2,728 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to income from reversals of impairment losses for two equity investments of € 2,021 thousand in the fiscal year ended December 31, 2019 compared to no such income in the December 31, 2018. This was partially offset by a decrease in the income from dividends of € 1,280 thousand, from € 1,979 thousand in the fiscal year December 31, 2018 to € 699 thousand in the fiscal year ended December 31, 2019.

Income tax expense

Income tax expense decreased by € 953 thousand, or 5.0%, from € 19,105 thousand in the fiscal year ended December 31, 2018 to € 18,152 thousand in the fiscal year ended December 31, 2019. The decrease was primarily attributable to a lower tax rate of 29.1% in the fiscal year ended December 31, 2019 compared to a tax rate of 31.0% in the fiscal year ended December 31, 2018. The tax rate results from the respective income tax rates for the domestic and foreign subsidiaries and from prior-period and deferred taxes.

Profit after tax (share of RENK shareholders)

Profit after tax (share of RENK shareholders) increased by € 1,661 thousand, or 3.9%, from € 42,510 thousand in the fiscal year ended December 31, 2018 to € 44,171 thousand in the fiscal year ended December 31, 2019. The increase was the result of the factors described above.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Sales revenue

Sales revenue increased by € 32,812 thousand, or 7.0%, from € 469,406 thousand in the fiscal year ended December 31, 2017 to € 502,218 thousand in the fiscal year ended December 31, 2018. The increase was primarily attributable to the increase in sales revenue in the Vehicle Transmissions business unit.

Vehicle Transmissions: Sales revenue with third parties generated by the Vehicle Transmissions business unit increased by € 25,273 thousand, or 16.9%, from € 149,149 thousand in the fiscal year ended December 31, 2017 to € 174,422 thousand in the fiscal year ended December 31, 2018. The increase was primarily attributable to the strong increase in the delivery of spare parts.

Special Gear Units: Sales revenue with third parties generated by the Special Gear Units business unit increased by € 8,039 thousand, or 5.0%, from € 160,775 thousand in the fiscal year ended December 31, 2017 to € 168,814 thousand in the fiscal year ended December 31, 2018. The increase was primarily attributable to the positive development at RENK-MAAG, where sales revenue with thirds parties increased compared to the previous year's figure 2017. Effective June 8, 2018, RENK MAAG GmbH acquired all shares in MAAG Gear Systems AG, based in Wallisellen, Switzerland. This company bundled the remaining marine activities of the MAAG Group that were not taken over when the division was acquired by the Group in 2007. MAAG Gear Systems AG was merged with RENK-MAAG GmbH after the acquisition.

Standard Gear Units: Sales revenue with third parties generated by the Standard Gear Units business unit remained largely stable amounting to € 72,717 thousand and € 73,838 thousand in the fiscal years ended December 31, 2017 and 2018, respectively. The downturn in marine gear units was offset by growth in wind turbines. Sales revenue with third parties for stationary gear units and couplings was in line with the figures for the fiscal year ended December 31, 2017.

Slide Bearings: Sales revenue with third parties generated by the Slide Bearings business unit remained broadly stable, amounting to € 86,765 thousand and € 85,144 thousand in the fiscal years ended December 31, 2017 and 2018, respectively.

Cost of sales

Cost of sales increased by € 29,219 thousand, or 8.2%, from € 354,223 thousand in the fiscal year ended December 31, 2017 to € 383,442 thousand in the fiscal year ended December 31, 2018. The increase was primarily attributable to higher sales revenues in the fiscal year ended December 31, 2018.

Other operating income

Other operating income increased by € 3,611 thousand, or 94.9%, from € 3,807 thousand in the fiscal year ended December 31, 2017 to € 7,418 thousand in the fiscal year ended December 31, 2018. The increase was primarily attributable to increases in income from reversal of provisions, prior-period income and income from currency translation differences and derivatives.

Distribution expenses

Distribution expenses increased by € 2,318 thousand, or 6.6%, from € 35,094 thousand in the fiscal year ended December 31, 2017 to € 37,412 thousand in the fiscal year ended December 31, 2018. The increase was primarily attributable to higher staff costs.

General administrative expenses

General administrative expenses increased by € 2,453 thousand, or 12.3%, from € 19,889 thousand in the fiscal year ended December 31, 2017 to € 22,342 thousand in the fiscal year ended December 31, 2018. The increase was primarily attributable to higher staff costs, consulting fees and severance payments.

Other operating expenses

Other operating expenses increased by € 1,761 thousand, or 44.5%, from € 3,960 thousand in the fiscal year ended December 31, 2017 to € 5,721 thousand in the fiscal year ended December 31, 2018. The increase was primarily attributable to an increase in expenses from currency translation differences and derivatives and in personnel expenses. Expenses from exchange rate changes and derivatives increased by € 1,380 thousand, from € 1,428 thousand in the fiscal year ended December 31, 2017 to € 2,808 thousand in the fiscal year ended December 31, 2018. Personnel expenses increased by € 819 thousand, from € 98 thousand in the fiscal year ended December 31, 2017 to € 917 thousand in the fiscal year ended December 31, 2018.

Interest expense

Interest expense decreased by € 62 thousand, or 13.4%, from € 462 thousand in the fiscal year ended December 31, 2017 to € 400 thousand in the fiscal year ended December 31, 2018. The increase was primarily attributable to a decrease in interest cost on provisions and liabilities by € 77 thousand, from € 224 thousand in the fiscal year ended December 31, 2017 to € 147 thousand in the fiscal year ended December 31, 2018. This was mainly due to the effect of changes in the discount rate for liabilities and other provisions.

Other financial result

Other financial result increased by € 183 thousand, or 11.3%, from € 1,619 thousand in the fiscal year ended December 31, 2017 to € 1,802 thousand in the fiscal year ended December 31, 2018. The increase was primarily attributable to an increase in income from equity investments by € 762 thousand, from € 1,217 thousand in the fiscal year ended December 31, 2017 to € 1,979 thousand in the fiscal year ended December 31, 2018, due to the distribution of a higher dividend from an unconsolidated subsidiary.

Income tax expense

Income tax expense increased by € 729 thousand, or 4.0%, from € 18,376 thousand in the fiscal year ended December 31, 2017 to € 19,105 thousand in the fiscal year ended December 31, 2018. The increase was primarily attributable to a higher tax rate of 31.0% in the fiscal year ended December 31, 2018 compared to a tax rate of 30.0% in the fiscal year ended December 31, 2017. The tax rate results from the respective income tax rates for the domestic and foreign subsidiaries and from prior-period and deferred taxes.

Profit after tax (share of RENK shareholders)

Profit after tax (share of RENK shareholders) remained largely stable, amounting to €42,828 thousand and €42,510 thousand in the fiscal years ended December 31, 2017 and 2018, respectively.

Liquidity and Capital Resources

Overview

The Target Group's principal sources of funds have been cash generated from the Target Group's operating activities, cash equivalents and prepayments from customers. The Group's principal uses of cash are funding the daily business, working capital and capital expenditures and, going forward, debt service. The Group expects to meet its requirements for the next twelve months primarily through cash flows from operating activities. In addition, the Group will have available the Cash RCF Facility under the Super Senior Facilities Agreement. Although the Group believes that its expected cash flows from operating activities will be adequate to meet the Group's anticipated liquidity needs, there can be no assurance that the Group's business will generate sufficient cash flows from operating activities to meet these needs or that future debt financing will be available to the Group in an amount sufficient to enable it to fund the Group's liquidity needs. The Group's ability to arrange financing and its cost of capital depends on numerous factors, including general economic conditions, the availability of credit from banks, other financial institutions and the capital markets, restrictions on instruments governing the Group's debt and its general financial performance. See "*Risk Factors*."

Cash Flow

The following table shows the principal components of the Target Group's cash flows for the periods indicated below:

	Fiscal year ended December 31,			Three months ended March 31,	
	2017	2018	2019	2019	2020
	(€ thousands)				
	(audited)			(unaudited)	
Cash flows from operating activities	24,849	34,706	7,462	12,495	22,009
Cash flows from investing activities	(23,648)	(33,136)	(73,222)	(5,125)	(7,742)
Cash flows from financing activities	(14,960)	(14,960)	(17,968)	(189)	(285)
Change in cash and cash equivalents	(15,404)	(12,853)	(83,224)	7,358	14,305
Cash and cash equivalents at the end of the period	198,553	185,700	102,476	193,058	116,781

Cash flows from operating activities

Cash flows from operating activities increased by €9,514 thousand, or 76.1%, from an inflow of €12,495 thousand for the three months ended March 31, 2019 to an inflow of €22,009 thousand for the three months ended March 31, 2020. The increase was primarily attributable to the change in prepayments.

Cash flows from operating activities decreased by €27,244 thousand, or 78.5%, from an inflow of €34,706 thousand in the fiscal year ended December 31, 2018 to an inflow of €7,462 thousand in the fiscal year ended December 31, 2019. The decrease was primarily attributable to a strong rise in working capital commitments. The primary cause of this was the decline in existing prepayments received, related to sales revenue, and the relatively smaller inflow from new projects compared to 2018.

Cash flows from operating activities increased by €9,857 thousand, or 39.7%, from an inflow of €24,849 thousand in the fiscal year ended December 31, 2017 to an inflow of €34,706 thousand in the fiscal year ended December 31, 2018. The increase was primarily attributable to a rise in working capital commitments in the fiscal year ended December 31, 2018 as a result of the completion of ongoing projects and the high sales revenue in the second half of the year.

Cash flows from investing activities

Cash flows from investing activities increased by €2,617 thousand, or 51.1%, from a cash outflow of €5,125 thousand for the three months ended March 31, 2019 to €7,742 thousand for the three months ended March 31, 2020. The increase was primarily attributable to the expansion projects at the Augsburg site.

Cash flows from investing activities increased by €40,086 thousand, from an outflow of €33,136 thousand in the fiscal year ended December 31, 2018 to an outflow of €73,222 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to the acquisition of Horstman. Capital contributions in other and financial investments, acquisition of subsidiaries increased by €44,758 thousand, from an outflow of €1,669 thousand in the fiscal year ended December 31, 2018 to an outflow of €46,427 thousand in fiscal year ended December 31, 2019. This was partly offset by an inflow from first-time consolidation of €6,302 thousand in the fiscal year ended December 31, 2019.

Cash flows from investing activities increased by €9,488 thousand, or 40.1%, from an outflow of €23,648 thousand in the fiscal year ended December 31, 2017 to an outflow of €33,136 thousand in the fiscal year ended December 31, 2018. The increase was primarily attributable to stronger investment activity. Payments to acquire property, plant and equipment and intangible assets increased by €16,626 thousand, from €18,735 thousand in the fiscal year ended December 31, 2017 to €35,361 thousand in the fiscal year ended December 31, 2018. This was primarily attributable to the construction of a new logistics center in Oberottmarshausen.

Cash flows from financing activities

Cash flows from financing activities increased from a cash outflow of €189 thousand for the three months ended March 31, 2019 to an outflow €285 thousand for the three months ended March 31, 2020.

Cash flows from financing activities increased by €3,008 thousand, or 20.1%, from an outflow of €14,960 thousand in the fiscal year ended December 31, 2018 to an outflow of €17,968 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to the redemption of liabilities of €1,932 thousand from Horstman and the payment of lease liabilities in the amount of €1,076 thousand following the first time application of IFRS 16—Leases.

Cash flows from financing activities remained stable with an outflow of €14,960 thousand in the fiscal years ended December 31, 2017 and 2018, respectively.

Net Working Capital (unaudited)

Net working capital (unaudited) is calculated as inventories plus trade receivables less trade payables and prepayments (received). The table below sets forth certain line items from the Company's consolidated statement of financial position for the periods indicated:

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	(in € thousand)			
	(audited, unless otherwise indicated)			(unaudited)
Inventories	180,503	196,578	230,432	253,444
Trade receivables	87,883	104,854	135,197	95,960
Trade payables	(34,635)	(39,407)	(41,235)	(37,838)
Prepayments (received)*	(141,661)	(148,156)	(148,400)	(148,656)
Net working capital (unaudited)	**92,090**	**113,869**	**175,994**	**162,910**

* Reflect contract liabilities (current and non-current) excluding liabilities from customer prepayment receivables (unaudited).

Due to the Target Group's significant cash balances and the low interest rate environment, the Target Group has not historically prioritized the optimization of its net working capital. The Target Group's strategy around net working capital was historically centered around and impacted by the following areas:

- *Inventories:*
    - The strengthening of the Target Group's competitive position by enabling shorter delivery times (particularly in Slide Bearings) which led to increasing stock levels;
    - The realization of selective cost savings through bundling of order volumes (*i.e.*, significant inventory purchases at the beginning of projects vs. throughout projects); and
    - Conservatism in ensuring the Target Group's ability to produce at all times through high stock levels (particularly in Vehicle Transmissions).
- *Trade Receivables:*
    - The implementation of an effective receivables management system in recent years; and
    - Significant year-end effects in the past two years due to a project-related Target revenue concentration in November and December.
- *Trade Payables:*
    - Establishing a clear goal to conduct early payments to realize cash discounts.
- *Prepayments (received)*
    - The development of prepayments is project driven and mainly in the defense business; and
    - Unusually high prepayments realized in the Vehicle Transmissions business unit for one large project in recent past.

Net working capital (unaudited) as of March 31, 2020 amounted to €162,910 thousand compared to €175,994 thousand as of December 31, 2019. The decrease was primarily driven by the decrease in trade receivables due to customer payments received in the first quarter of 2020 as well as the increase in inventories due to the buildup of materials for current and new projects.

Net working capital (unaudited) as of December 31, 2019 amounted to €175,994 thousand compared to €113,869 thousand as of December 31, 2018. The increase was primarily due to the consolidation of Horstman as well as increases in inventories and trade receivables. The increase in inventories was largely driven by project-related increases for Naval and stationary applications in the Special Gears unit and related to a bundling approach for selected cost savings and safeguarding delivery times. The increase in receivables was mainly due to a year-end effect where customer payments were only received in the beginning of 2020.

Net working capital (unaudited) as of December 31, 2018 amounted to €113,869 thousand compared to €92,090 thousand as of December 31, 2017. The increase was primarily due to an increase in receivables driven mainly by a change in product mix in Special Gears as well as the increase in inventories and decrease in payables across all business units due to higher sales volumes, particularly in the Vehicle Transmissions business unit.

Capital Expenditures

The Group's capital expenditures primarily relate to investments in the Group's production facilities and office buildings as well as the acquisition of new machinery and manufacturing equipment. Capital expenditures are shown as payments to acquire property, plant and equipment and intangible assets in the Target Group's consolidated statement of cash flows.

The Group distinguishes between maintenance capital expenditures and growth capital expenditures. Growth capital expenditures are defined as capital expenditures for specifically dedicated growth or expansion projects, while maintenance capital expenditures are defined as the aggregate amount of capital expenditures minus growth capital expenditures.

For the three months ended March 31, 2020, capital expenditures amounted to €7,915 thousand and related mainly to the Augsburg site.

For the fiscal year ended December 31, 2019, capital expenditures amounted to €33,331 thousand and mainly related to continuing investments at the Augsburg site, the construction of a new logistics center in Oberottmarshausen and construction work for a new production hall, as well as continuing investments in the project to expand capacity of the Vehicle Transmissions business, which is expected to be completed in 2022. Investments were also made in machinery and existing test rigs. Special Gear Units business focused on the renewal of gear grinding technology and the optimization of test rig equipment. In the Slide Bearings business in Hanover, investing activities centered around new coating equipment. In the Standard Gear Units business in Rheine, capital expenditure related primarily to milling and turning centers. Another area of focus was on the construction of a customer center featuring modern meeting and seminar rooms in Rheine. After completing the extensive modernization work at the French subsidiary, the focus in the fiscal year turned to investment for refurbishing the testing facilities.

For the fiscal year ended December 31, 2018, capital expenditures amounted to €35,361 thousand and mainly related to continuing investments at the Augsburg site and the construction of a new logistics center in Oberottmarshausen. Activities in the Special Gear Units focused on continuing the restructuring and renewal of gear grinding technology and the optimization of assembly processes. Vehicle Transmissions also focused on the reorganization and optimization of assembly processes, and on redesigning and expanding parts of mechanical production, including in particular housing processing facilities. In Rheine, at the Standard Gear Units site, capital expenditure focused on the renewal and optimization of the mechanical production machinery. At the Hanover Slide Bearings site, the focus was still on optimizing surface coating facilities. RENK France completed its extensive, long-term modernization and renovation of the building infrastructure for production, technology, administration and distribution. Work also began to replace the testing facilities.

For the fiscal year ended December 31, 2017, capital expenditures amounted to €18,735 thousand and mainly related to continuing investments at the Augsburg site. In addition to a number of smaller measures, the priority for activities in Special Gear Units was the long-term restructuring and renewal of gear grinding technology. Efforts in Vehicle Transmissions focused on continuing the reorganization of the assembly processes which began in the previous year. Furthermore, the infrastructure in production was optimized and added to. In logistics, design and planning work for the new goods receiving, testing and storage center to the south of Augsburg continued; construction work began in the course of 2018. At the Standard Gear Units site in Rheine, new machinery and grinding technology was brought in and updated for the processing centers. Atthe Hanover Slide Bearings site a new universal test rig was put into operation. In line with planning, RENK France also continued and almost completed its extensive, long-term modernization and renovation of the building infrastructure for production, technology, administration and distribution. The Target Group expanded its global presence as part of its internationalization strategy in 2017 as well. New subsidiaries were created in India and South Korea to strengthen new equipment business through their local positioning as well as providing access to service potential for the Target Group that was previously inaccessible due to time and cost constraints. The Target Group also acquired Damen Schelde Gears B.V. in the Netherlands (which will be renamed Schelde Gears B.V.), which provides a range of high-quality marine construction products and services. The Target Group invested a total of €5,392 thousand during the year in founding or acquiring these companies.

Cash Pooling and Cash Management

Prior to March 31, 2020, cash for the operating units was essentially managed centrally as part of the MAN Target Group's cash pooling arrangement. The cash and cash equivalents of the Target Group companies and MAN SE were merged daily. Thus, liquidity surpluses and requirements were managed as necessary. For additional information, see note 34(d) of the 2019 Audited Consolidated Financial Statements. Since March 31, 2020, the Target Group is no longer part of the cash pooling arrangements of the MAN Group. Currently, RENK AG centrally controls the Target Group's liquidity position and manages the cash pooling within the Group. RENK AG has implemented its own treasury management system and payment system including implementing cash pooling for larger members of the Target Group in Europe and daily monitoring of cash flows and liquidity within all countries which the Target Group operates in. RENK AG intends to further expand the cash management and cash pooling to include also the other subsidiaries and other currencies.

Contractual Obligations and Commitments

Other financial obligations in the fiscal year ended December 31, 2019 comprised current rental agreements and leases that are not capitalized on account of the exemption under IFRS 16. These primarily relate to renting work clothes and office printers. The maturities of future rental and lease payments until the end of their minimum term are as follows:

	As of December 31, 2019
	(€ thousand) (audited)
Due within one year	363
Due between one and five years	323
Due after more than five years	—
	686

Maturity of Liabilities

The following table shows the future cash outflows for liabilities, derivative financial instruments and contingent liabilities as of December 31, 2019[(1)]:

	2020	2021 to 2024	>2024
		(€ thousand) (audited)	
Cash outflows from primary financial liabilities	44,626	4,985	1,233
of which trade payables	41,235	—	—
of which other financial liabilities	2,106	964	74
of which from loan liabilities	—	120	—
of which from lease liabilities	1,284	3,901	1,159
Cash outflows from liability derivative financial instruments and gross fulfilment[(2)]	(19,599)	(17,671)	(1,258)
Associated cash inflows	18,561	15,956	1,042
Potential cash outflows from contingent liabilities[(3)]	27	—	—
of which for repayment obligations	27	—	—

(1) The procedure for calculating the amounts is as follows:

- If the maturity date is not fixed, the liability is assigned to the earliest maturity date.
- Interest payments for floating rate interest are taken into account in line with the conditions as of the end of the reporting period.
- It is assumed that the cash outflows will not occur earlier than shown.

(2) In accordance with the requirements of IFRS 7, only undiscounted cash flows of the contractual interest and principal payments are shown.

(3) Represents the maximum possible cash outflow under guarantee obligations for guarantees under trade obligations. The amounts are assumed to be due in the first year.

Contingent Liabilities

As of December 31, 2019, the Target Group had the following contingent liabilities:

	As of December 31, 2019
	(€ thousand) (audited)
Repayment obligations	27
Total	**27**

Contingent liabilities are usually measured in the amount of the maximum claims. Any rights of recourse are not deducted.

Pension Obligations

The Group has defined benefit pension plans in Germany, defined contribution pension plans in Switzerland and pay obligatory post-employment benefits in France. The Group provides domestic employees with benefits under an occupational pension system. Under the current pension plans, the active employees receive employer contributions linked to their remuneration and, in addition, also have the option of personal provision through deferred compensation (paid for by the employer for employees subject to collective bargaining agreements). In Switzerland, the defined benefit pension claims and the actuarial reserves are managed in industry-wide company pension institutions. Employees accrue pension capital with these institutions, which is then converted into a lifelong pension under the conditions prevailing at the time.

As of December 31, 2019, the Target Group's defined benefit obligations amounted to €181,553 thousand and plan assets amounted to €167,342 thousand. As at December 31, 2019, the Target Group's provisions for pension obligations amounted to €14.2 million.

Off-Balance Sheet Arrangements

As of March 31, 2020, the Target Group had no off-balance sheet arrangements.

Accounting Standards Adopted During the Period

The Target Group has applied IFRS 16 since January 1, 2019. IFRS 16 amended the provisions for accounting for leases and superseded the previous Standard IAS 17 and its associated interpretations.

The central objective of IFRS 16 is the recognition of all leases in the statement of financial position. Accordingly, lessees will no longer distinguish between finance and operating leases. Instead, they must recognize a right-of-use asset and a lease liability for all leases in their statement of financial position. In the Target Group, the lease liability is measured using the outstanding lease payments discounted at the incremental borrowing rate, while the right-of-use asset is measured at the moment of the lease liability. Here, the option is exercised to exclude initial direct costs at the date of initial application. During the term of the lease, the right-of-use asset must be amortized and the lease liability must be carried forward using the effective interest method and taking lease payments into account. IFRS 16 allows practical expedients used by the Target Group for short-term and low-value leases, and therefore right-of-use assets and lease liabilities are not recognized for such leases. These lease payments continue to be recognized as expenses in the income statement. At the time of adoption, leases ending before January 1, 2020 were classified as current leases regardless of when they began.

As of January 1, 2019, the Target Group accounted for leases using the modified retrospective transition method in accordance with IFRS 16 for the first time. The prior-year periods were not adjusted. Under this method, the lease liability must be recognized at the present value of the outstanding lease payments as of the transition date. The present value is calculated based on incremental borrowing rates as of January 1, 2019. The weighted average interest rate for this in the Target Group was 2.1%. The leases essentially include office and warehouse space and vehicles. The normal lease term is between one and five years.

By way of simplification, the right-of-use assets are recognized at the amount of the respective lease liability adjusted for any prepaid or accrued lease payments. Right-of-use assets were not tested for impairment as of the adoption date as there was no evidence of impairment on operating leases as of December 31, 2018. The right-of-use assets shown in the statement of financial position are reported in those statement of financial position items in which the assets to which the lease relates would have been reported if the Target Group had owned them. The right-of-use assets are therefore reported under non-current assets in property, plant and equipment as of the end of the reporting period.

The first-time recognition of right-of-use assets and lease liabilities gave rise to the following effects as of January 1, 2019:

- Right-of-use assets of €5,182 thousand were recognized under property, plant and equipment in the opening statement of financial position.
- Lease liabilities of €5,182 thousand were reported under current and non-current financial liabilities.
- Adoption had no effect on equity.

The difference between expected payments for operating leases of €4,907 thousand discounted using the incremental borrowing rate as of December 31, 2018 and the lease liabilities of €5,182 thousand recognized in the opening statement of financial position essentially results from the reassessment of lease terms in accordance with IFRS 16. Reasonably certain extension or termination options were taken into account in determining the lease payments to be capitalized. In addition, lease payments for low-value and short-term leases are not included in lease liabilities in the opening statement of financial position.

Unlike under the previous approach, where expenses for operating leases were shown in full in operating profit, under IFRS 16 only the amortization of rights of use is shown in operating profit. Interest expenses on lease liabilities are reported in the financial result. This improved the operating profit by €179 thousand in the fiscal year ended December 31, 2019.

The change in the recognition of operating lease expenses in the statement of cash flows resulted in an improvement in cash flow from operating activities of €1,076 thousand as of December 31, 2019. Cash outflows from financing activities increased accordingly. The increase in financial liabilities resulting from the change in accounting policies had a negative impact of €6,345 thousand on the Target Group's net liquidity as of December 31, 2019.

For further details on the impact on specific financial statement line items please refer to Note 3 and 5 within the consolidated financial statements for the fiscal year ended December 31, 2019.

Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of business, the Group is exposed to a variety of markets risks; including interest rate risk, credit risk and liquidity risk. The Group monitors and manages these risks as part of its overall risk management. The following section briefly describes the significant financial risks to which the Group is exposed. This description does not address other risks to which the Group is exposed in the ordinary course of business, such as operational risks. See "*Risk Factors*."

Currency Risk

For each Group company there is a currency risk if it performs transactions and incurs future cash flows in a currency other than its functional currency. To reduce the effect of exchange rate fluctuations, the Group continuously quantifies the exchange risk and hedges material risks by using currency forwards and options.

In the Group, all firm customer contracts, its own orders, receivables and liabilities in foreign currency are hedged. Currencies with a high correlation to the euro, such as the Danish krone, and equity investments or equity-type loans in foreign currencies, if at all relevant, are only hedged in individual cases. In addition, there is hedging for planned sales revenue in foreign currency from series production business within defined hedging ranges and, occasionally, for customer projects whose materialization is highly probable. The Executive Board is regularly informed of the currency positions of the Group.

As of the end of 2019, foreign exchange exposure was primarily from transactions in USD, CHF, JPY, CNY and GBP. Taking into accuont the currency forwards and options in place for these currencies, the Target Group was not exposed to any significant transactional currency risks.

For additional information, see note 34(b) of the 2019 Audited Consolidated Financial Statements.

Commodity Price Risk

The Group is exposed to the risk of changes in commodity prices (such as raw materials, forgings and castings) and their availability, *i.e.*, commodity procurement risk, both in connection with the procurement of the means of production but also in the procurement of energy (electricity, gas, oil, etc.).

The Group seeks to mitigate this risk by utilizing fixed price agreements with suppliers, to the extent possible. Owing to the variety of commodities used and the resulting quantities, each comparatively small, the hedging of prices using corresponding instruments on the financial markets is not a substantial alternative for the Group. The Target Group had no commodity derivatives in the fiscal year ended December 31, 2019.

There were no significant risk clusters (*i.e.*, significant purchase obligations not connected to customer orders) in the fiscal year ended December 31, 2019.

Credit Risk

On account of its operating activities, the Group is exposed to credit risk, *i.e.*, the risk that a counterparty does not meet its contractual obligations and thus causes a financial loss. Credit risks include direct counterparty risk and the risk of a deterioration in credit quality.

The maximum credit risk is reflected by the carrying amounts of financial assets reported in the statement of financial position. Credit risks are minimized, and risk provisions calculated, mainly with the following measures:

Sovereign and counterparty risks arising from business operations are continuously assessed locally. Security levels and forms are determined based on this. Outstanding debts are also continuously monitored locally. If default risks arise, allowances are recognized. Credit risk is limited by various, sometimes country-specific, forms of security. Letters of credit, credit insurance, guarantees, warranties, retention of title and customer prepayments are used. In project business, the risk of default is minimized by prepayments and by obtaining collateral.

The Group recognizes loss allowances for expected credit losses in connection with its business operations. The Group also performs an ongoing assessment of all financial assets measured at amortized cost. Allowances on trade receivables and contract assets are calculated using a provision matrix with provision rates graded according to the aging analysis of receivables. Specific valuation allowances are recognized if there is objective evidence of credit losses or other contractual anomalies. Other financial receivables and cash and cash equivalents are checked for cash shortfalls using a general three-stage approach.

There were no significant clusters in terms of credit risk in the Target Group in the fiscal year ended December 31, 2019. For additional information, see note 34(d) of the 2019 Audited Consolidated Financial Statements.

Liquidity Risk

Liquidity risk describes the risk that the Group is unable to adequately meet its payment obligations or can raise liquidity only at a higher price.

Prior to March 31, 2020, cash for the operating units was essentially managed centrally as part of the MAN Group's cash pooling. The cash and cash equivalents of the Target Group companies and MAN SE were merged daily. Thus, liquidity surpluses and requirements were managed as necessary. For additional information, see note 34(d) of the 2019 Audited Consolidated Financial Statements. Since March 31, 2020, the Target Group is no longer part of the cash pooling arrangements of the MAN Group. All cash and cash equivalents were transferred to the respective subsidiaries. Now RENK AG centrally controls the Target Group's liquidity situation and manages the cash pooling within the Target Group.

Critical Accounting Policies

When preparing consolidated financial statements, to a certain extent assumptions and estimates are made that affect the amount and reporting of the recognized assets and liabilities, income and expenses and information on contingent assets and liabilities in the reporting period. The estimates were made on the basis of past experience and other relevant factors, including the assumption of going concern. All estimates and assumptions are made to the best of knowledge and belief to provide a true and fair view of the net assets, financial position and results of operations of the Group. Any uncertainty is adequately reflected in valuations, although future events can still differ from these estimates and have a material effect on the net assets, financial position and results of operations of the Group. Estimates and judgments are reviewed on an ongoing basis.

The assumptions made regarding the following matters as of the end of the reporting period are of particular significance:

If intangible assets, property, plant and equipment, right-of-use assets, other equity investments and financial investments, other receivables or goodwill are tested for impairment, this requires a forecast of future cash flows for the calculation of the recoverable amount and their discounting, among other things. Such cash flows are based on forecasts that are in turn based on the business and financial planning approved by the management. Other material assumptions relate to the weighted average cost of capital and tax rates.

Estimates of the useful life of depreciable assets are based on past experience. If, in the context of the review of useful life, a change is made in estimates, the remaining useful life is adjusted and any impairment loss is recognized.

Recognizing the leases in the form of a right-of-use asset and a lease liability requires estimates on the lease term of the relevant lease components. It must be assessed whether it is reasonably certain that the contractually agreed extension, termination and call options will be exercised. The estimate for the initial recognition of the lease components determines the amount of the lease liability and thus the right-of-use asset. Changes to the estimate in subsequent periods result in a change to the residual values of statement of financial position items related to leases.

When control of an asset is transferred to the customer, the entity satisfies its performance obligation and the corresponding sales revenue can be recognized. The asset comprises contractually agreed goods and services. At contract inception it is determined whether the performance obligation is satisfied over time. If the requirements for this are not met, the performance obligation is satisfied at a point in time. Assurance-type warranties must be taken into account in performance obligations. Performance obligations are recognized over time in the following cases:

- The services rendered that benefit the customer are consumed by the customer at the same time that the services are rendered.
- The assets created or processed are controlled by the customer during performance by the entity.
- The assets created have no alternative use for the entity and the entity has an enforceable right to payment by the customer for the performance completed to date.

Individual performance obligations are accounted for over time using the percentage of completion method. Sales revenue is accounted for using the percentage of completion method. This method places considerable importance on accurate estimates of the percentage of completion. Depending on which method is used to determine the percentage of completion, significant estimates include contract revenue, total contract costs, the remaining costs to completion, contract risks and other assessments. The management of the operating units is continuously reviewing the estimates for such performance obligations and adjusts them as necessary.

Estimates, especially for variable remuneration components, are required to calculate the transaction price as the expected consideration in exchange for the transfer of goods and services. The variability relates to the claim actually arising and to the amount of the claim. The single most likely amount in a range of possible contractual consideration amounts is selected as the most likely amount. In addition, some or all of the variable consideration component is only included in the transaction price to the extent that it is highly probable that a significant reversal of the revenue recognized will not occur. This assessment of probabilities and the restriction of variable remuneration components is based on management estimates.

Determining impairment of financial assets requires estimates of the level and probability of occurrence of future events. As far as possible, estimates are derived from past experience.

Pensions and similar obligations are measured using actuarial methods. These are mainly based on assumptions relating to discount rates, salary and pension trends and mortality. These actuarial assumptions can differ significantly from actual developments due to changes in market and economic conditions and therefore lead to a substantial change in pensions and similar obligations. The underlying assumptions are presented in the "Pensions and similar obligations" section.

As the Group operates in several countries, it is subject to different tax laws. The expected current income taxes and the deferred tax assets and liabilities must be calculated for each taxable entity. This requires, among other things, assumptions about the interpretation of complex tax regulations and the ability to generate sufficient taxable income within the respective tax type and jurisdiction. If these assumptions differ from the actual outcome of such tax uncertainties, this can affect tax expenses and deferred taxes. The best estimate of the expected tax payment is used for recognized uncertain income tax positions.

Depending on the matter at hand, the measurement of other provisions and similar obligations is complex at times and entails estimates to a considerable extent. The assumptions made by management with respect to the timing and amount of utilization are based, among other things, on historical data, available technical data, estimates of cost trends and potential warranty claims, discount rates and possible recoverable amounts. Litigation and other legal proceedings simultaneously give rise to complex legal issues and are subject to many difficulties and uncertainties. A provision is recognized for this if it is likely that, in connection with these proceedings, a liability has been incurred that will probably lead to an outflow of resources and its amount can be reliably estimated. Assessing whether a present obligation as of the end of the reporting period is as a result of a past event, whether a future outflow is likely and whether the obligation can be estimated reliably requires considerable judgment and significant estimates by management. Future events and developments as well as changes in estimates and assumptions can lead to an amended assessment at a future date. Additional expenses that can have a material effect on the net assets, financial position and results of operations of the Group thus cannot be completely ruled out. Changes in contractual or actual circumstances are monitored and assessed as regards the potential impact on the amount and reporting of the recognized assets and liabilities, income and expenses and information on contingent assets and liabilities in the reporting period. Developments in these general conditions that deviate from assumptions and are beyond management control can cause amounts to differ from the original estimates.

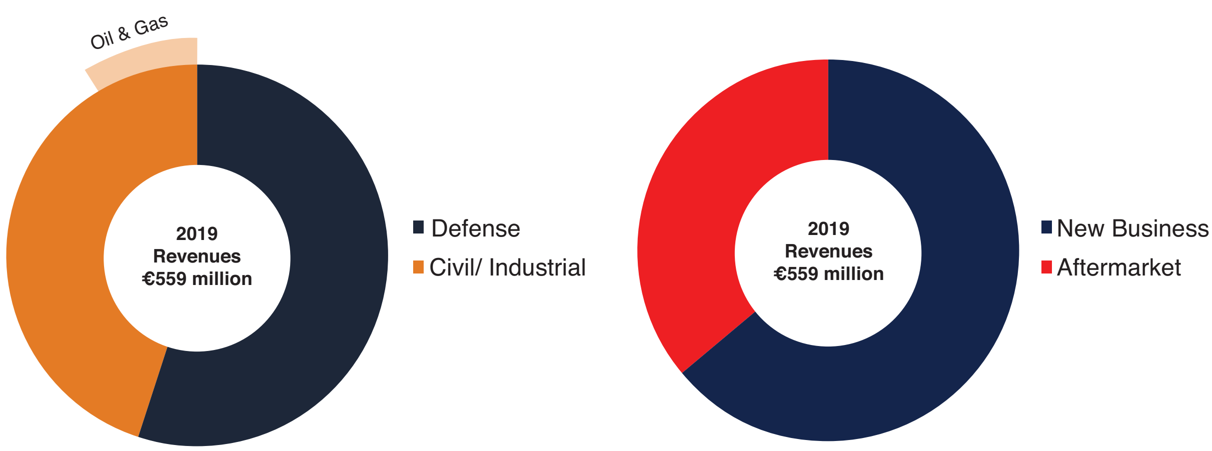
INDUSTRY AND COMPETITION

The market data included in this section represents estimates taken from external sources, including the Third Party Report, as well as management's estimates and extrapolations from third-party and publicly-available data. While the Issuer and the Group have compiled, extracted and reproduced market or other industry data from external sources, including third-party or industry or general publications, none of the Issuer, the Group, the Guarantors or the Initial Purchasers have independently verified such data. There can be no assurance as to the accuracy and completeness of, and the Issuer, the Guarantors and their respective directors and management take no responsibility for, such data. In addition, when considering the industry and market data included in this offering memorandum, prospective investors should note that this information may be subject to uncertainty due to differing definitions of the relevant markets and market segments described.

The broad set of the Group's product portfolio of transmissions, gear systems and other drive components are used in a wide variety of end-markets with different growth dynamics. The Group generates the majority of its revenues in defense related end-markets (*e.g.*, armored vehicles and naval applications), which are characterized by long-term projects awarded by the respective MoDs among others. Due to the Group's market leading positions in many of the Group's product categories, the Group maintains strong relationships with key decision makers. This will benefit the Group in winning new projects in the future. The remaining revenues are generated in civil marine and industrial end-markets such as oil & gas (8.7% of revenues in 2019), energy generation, plastics and steel production.

In principle, the Group has two types of revenues: New business as well as spare parts and services. Revenues from spare parts and services (collectively "aftermarket") are recurring revenue streams throughout the product lifecycle (the use of life can range from approximately 20 years for heavy duty applications (*e.g.*, cement grinding) to over 40 years for marine applications).

Exposure by major end-market industries and type of revenue (€m; 2019)



Source: Company information

As depicted in the chart above, RENK has a focus on the defense sector, while its exposure to the more cyclical oil & gas market is limited.

Vehicle Transmissions

The Vehicle Transmissions business unit has generated € 230.0 million of sales revenues (prior to inter-segment consolidation) in 2019 of which €31.7 million are attributable to the first time consolidation of Horstman, which is focused on suspension systems for tracked and wheeled armored vehicles.

Transmission market

A significant growth in addressable defense markets is expected due to increasing defense budgets and the general need for modernization. The transmissions market for both new transmission units and aftermarket offerings in the Group's current and additionally addressable geographies is attractive with an estimated volume of approximately €500 million according to the Third Party Report. The same report estimates the current and addressable market to grow at approximately 10 to 11% per annum until 2024. Key highlights:

- The market is about to enter a "super-cycle," triggered by increasing global political tensions and increasing pressure on all member states to match NATO's defense spend target of 2% of GDP;
- Governments around the world have been delaying necessary investments in their fleet in the recent past. Aging military fleets and long order times of new platforms directly lead to higher maintenance requirements / spend in the future;
- Technological advancements have widened the range of armored vehicles currently being developed and produced and thereby support the overall growth momentum. Active protection systems and artificial intelligence, mainly used for vehicle autonomy and predictive maintenance, are some of the latest technological developments; and
- The acquisition of the Horstman Group in 2019 adds new manufacturing capabilities (suspension systems) and provides access to additional growth markets in the UK and US, while also increasing exposure to the wheeled armored vehicle segment.

The Group is a leading player in transmissions for tracked vehicles in currently served geographies as the Group is perceived as best-in-class for innovation, high reliability and quality, particularly in harsh conditions (*e.g.*, the desert). Other market participants include Uralwagonsawod (RU), Ashot (IL), ST Engineering (SG), Allison Transmission (US), L3Harris (US) and SAPA (ES). Going forward, the Group is well placed to retain and expand the Group's market share in currently served geographies given the Group's strong technical know-how and being the single-source transmission supplier in recent projects. In addition, recent changes to the technical requirements of a US project combined with certain localization strategies and the acquisition of the Horstman Group might allow the Group to also enter the large US market with the Group's transmission offerings for armored vehicles.

Special Gear Units

The Special Gear Units business unit generated € 181.4 million of sales revenues (prior to inter-segment consolidation) in 2019, serving a broad range of end-markets including Navy (gearboxes for large surface vessels for public authorities such as corvettes, frigates and offshore patrol vessels), civil marine (gearboxes for fast ferries and mega-yachts), oil & gas / conventional power generation (high-speed stationary gearboxes), plastics (*e.g.*, extruder gearboxes) and cement (*e.g.*, mill gearboxes).

Navy gearbox market

The Group manufactures complex gear units primarily used in defense applications (*i.e.*, frigates, corvettes and offshore patrol vessels) as well as gear units used in civil marine applications (*i.e.*, mega-yachts and fast ferries) with high technological requirements such as high power, low noise and low vibration.

The Navy market is attractive with an order value of commissioned Navy vessels in the Group's currently and additionally addressable geographies representing an order value of the complete vessels of approximately € 18 billion in 2019 according to the Third Party Report. The same report estimates this market to grow by approximately 5-6% per annum to approximately €23 billion in 2024. The value share of gear boxes in completed vessels varies by type of vessel. Key highlights:

- Strong international demand for new shipbuilding programs as reflected by the number of orders in the Group's addressable market (especially Germany, the USA, India, and South Korea);
- Many countries work on modernizing and expanding their fleets; and
- Increasing demand for technological innovation: With the Group's continued effort for innovation and technological leadership, the Group has successfully developed the AED (Advanced Electric Drive), an electric propulsion system for *e.g.*, mega-yachts and other vessels with low-noise requirements and a comprehensive hybrid propulsion system offering the possibility to combine different technologies such as diesel engines, gas turbines and electric motors. The Group's innovations ideally position it to capitalize on the trend towards the electrification of propulsion systems going forward.

The Group is a global leader in the market for Navy gearboxes with a market share of approximately 30% and strong customer advocacy according to the Third Party Report. The Group's engineering capabilities and the ability to cater to the Group's customers' needs has consistently helped it to manifest its leading market position.

Stationary gearbox market

The Group manufactures high-speed gearboxes for the energy generation and oil & gas industry, extruder gearboxes for the plastics industry and mill gearboxes for the cement industry.

The market size and dynamics for high-speed gearboxes described below include this segment within the Special Gear Units and the Standard Gear Units business units as the respective end-markets overlap. The Third Party Report estimates the high-speed gearbox market for the oil & gas and energy generation industries at approximately €600 million in 2019 and expect it to grow at approximately 1-2% per annum to approximately €655 million in 2024. High-speed stationary gearboxes are deployed across several industries such as oil & gas (up-, mid-, downstream), conventional power generation, where gearboxes are used in steam-/ gas turbines. Key highlights:

- New gearbox sales in oil & gas, driven by increased capex investments, as major oil companies will relaunch projects post a potential oil price recovery;
- Slight growth in the installed base and aftermarket potential, as new refinery capacity is added to market and pipeline system is growing according to the Third Party Report;
- Growth in decentralized gas plants; and
- In Europe, conventional power capacity is expected to decrease slightly, driven by shift to renewable energies (*e.g.*, wind).

According to the Third Party Report, the Group is among the top four suppliers in the market for high-speed gearboxes with a market share of approximately 20% (across the Special Gear Units and Standard Gear Units business unit), along with Flender, Voith, and Lufkin/Allen Gears. The Group's addressable market is rather concentrated with the top four players accounting for approximately 70% of total revenues according to the same report.

Standard Gear Units

The Standard Gear Units business unit has generated €72.5 million of sales revenues (prior to inter-segment consolidation) in 2019, serving a broad range of end-markets for gearboxes with a focus on marine (civil marine gearboxes for mid-/ large sized vessels) as well as energy generation and oil & gas (stationary gearboxes). The business unit also provides couplings for various industrial markets.

Marine gearbox market

The Group manufactures gearboxes for civil marine applications such as medium- to large passenger ferries, LNG / LPG tankers as well as cargo and supply vessels.

The Third Party Report estimates the addressable civil marine gearbox market at approximately €100-€200 million in 2019 and expects it to remain largely stable with growth of approximately (1)-0% per annum until 2024 (including aftermarket). Key highlights:

- Overall, civil shipbuilding is cyclical and is expected to gradually exit from its current downturn phase, yet low oil-prices and COVID-19 might delay market recovery;
- While additions of cargo vessels are expected to decline given rather low utilization rates and uncertainty regarding the global trade outlook at this stage, additions of non-cargo vessels are set to grow at approximately 3-4% per annum until 2024 due to:
  - Improved commissioning of ferries partially driven by stricter safety and stability requirements;
  - Demand for dredgers, which is driven by the rise in global trade and need to expand waterways (*e.g.*, Suez Canal) for larger vessels; and
  - Stable outlook for passenger ferries for the next years.
- Overall, new additions are expected to grow in Asia whereas new additions in Europe are expected to decline;

- Environmental regulation continues to have a growing impact on the industry with increasing demand for more efficient and environmentally friendly solutions;
- There is some price pressure on new gearboxes driven by low cargo demand and increased competition from Asian LCCs.

According to the Third Party Report, the Group is one of the three market leaders along with Flender and Wärtsilä in the civil marine gearbox market ahead of Reintjes. The market is rather concentrated with the top four Western players accounting for approximately 70% of revenues according to the same report. Traction of players in LCCs, *e.g.*, NGC Gears from China, has been increasing in Asian markets, as shipyards increasingly source from local suppliers, partially driven by cost considerations. In the medium-term, players in LCCs are expected to continuously increase their share as shipbuilding is generally shifting to Asia.

Going forward, the Group expects to maintain growth on the back of recovering markets as well as an expansion into new products, *e.g.*, the two-stroke engine market, and geographies.

Stationary gearbox market

In the stationary end-markets, the Group manufactures stationary gearboxes and couplings for industrial applications such as turbine plants, pumps and compressors. Primary end-markets include energy generation, oil & gas, steel production, and mining.

Please refer to the Special Gear Units section above for the market size and trends of high-speed gearboxes.

Slide Bearings

The Group manufactures hydro-dynamically lubricated standard and custom-made slide bearings for various applications including electrical machines, steel and energy generation as well as marine applications (Navy and civil end-markets). The Slide Bearings business unit has generated € 84.8 million of sales revenues (prior to inter-segment consolidation) in 2019.

E-bearings market

E-bearings are mainly used in industrial plants, mechanical engineering and energy generation, where they are deployed in electrical motors, generators, pumps and compressors. The Third Party Report estimates the relevant market for E-bearings at approximately €200 million in 2019 with a solid growth trajectory of approximately 2-3% per annum until 2024 (including aftermarket). Key highlights:

- Global oil demand expected to be resilient in the long-term as hydrocarbons remain key source for growing energy needs. Following the recent turmoil in the oil & gas industry, fundamentals are showing signs of recovery as demand picks up even ahead of lockdown measures being eased; and
- Large and growing installed base leads to growing aftersales market opportunities as companies tend to focus more on brownfield rather than greenfield investments. Major investments in the energy sector back in 2009 could boost the demand for maintenance and repair for years to come.

According to the Third Party Report, the Group is the market leader in the relevant E-bearings market ahead of Miba. Traction of LCC manufacturers is growing, particularly in their respective home markets. The Group is defending its market share by expanding the Group's footprint in Asia and by continuing to offer superior availability and quality, which is important given E-bearings are used in critical applications and any malfunctions result in major costs.

BUSINESS

OVERVIEW

The Group is a leading global manufacturer of high quality automatic transmissions, gear units, slide bearings, suspension systems, couplings and test systems. It serves a diverse range of end-markets with a particular focus on armored vehicles, defense and civil marine, energy generation, cement production, plastics production, oil & gas, and other industries. The Group's products are, in many cases, mission-critical to its customers' end-products and require high quality and reliability. As a result, the Group is a trusted supplier of premium products and is involved at all critical stages of its customers' value chain, from engineering, to commissioning and aftermarket services. Long-term contracts in certain of its business units, in particular vehicle transmissions and Navy gearboxes, together with recurring revenue streams from the Group's aftermarket business, provide stability of its sales revenues and profitability as well as a natural hedge during economic downturns. For the twelve months period ended March 31, 2020, the Target Group generated sales revenue of €575 million and EBITDA of €87 million.

The Group operates through four business units: Vehicle Transmissions, Special Gear Units, Standard Gear Units and Slide Bearings, which also represent the segments of the Group.

The *Vehicle Transmissions* business unit is one of the leading producers of fully automatic transmissions for medium- and heavy-weight tracked vehicles according to the Third Party Report as well as a producer of test rigs for various industrial end-markets. On April 16, 2019, the Target acquired the Horstman Group, a provider of armored vehicle suspension systems, which added manufacturing capabilities in the United Kingdom and the United States in addition to this business unit's existing production operations in Germany and France. In the fiscal year ended December 31, 2019, 40.9% of the Target Group's sales revenue with third parties and 72.1% of its operating profit (before consolidation) were generated by its Vehicles Transmissions business unit.

The *Special Gear Units* business unit comprises of the production of large gear units, ranging from stationary gear units for a variety of industrial applications to high-speed gear units mainly for oil & gas and complex gear units for fast ferries, mega-yachts and naval applications. According to the Third Party Report, the Group is a global leader in naval defense applications and gear systems for combined propulsion systems. In the fiscal year ended December 31, 2019, 32.0% of the Target Group's sales revenue with third parties and 10.3% of its operating profit (before consolidation) were generated by the Special Gear Units business unit.

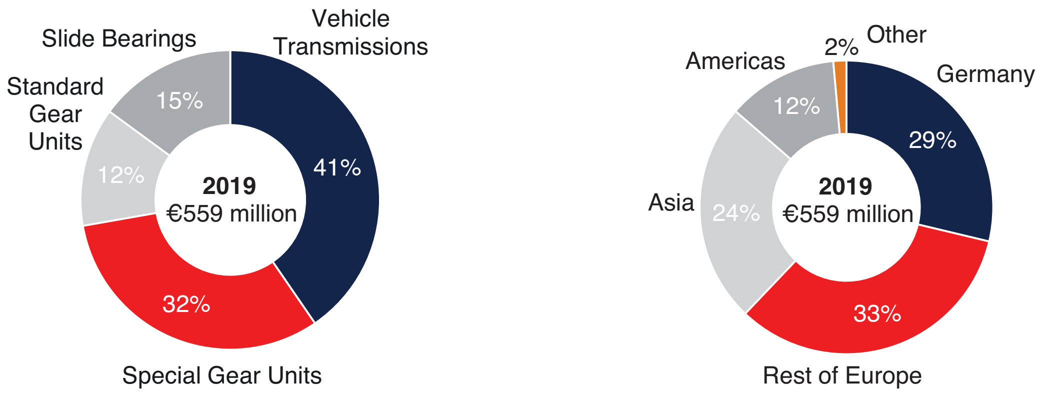
The *Standard Gear Units* business unit specializes in the production of marine gearboxes for merchant ships, ferries, LNG/LPG tankers, and other specialty ships, as well as stationary gearboxes and couplings for energy generation, oil & gas, and other industrial applications. This business unit is a technology player with a market leading position for large single and twin engine marine gear units. In the fiscal year ended December 31, 2019, 12.2% of the Target Group's sales revenue with third parties and 1.7% of its operating profit (before consolidation) were generated by the Standard Gear Units business unit.

The *Slide Bearings* business unit primarily supplies hydro-dynamically lubricated slide bearings used in electric motors, generators, pumps, blowers, water turbines, conveyors and marine applications. The Group believes it is the global leader in E-bearings for electrical machines with a global distribution network. In the fiscal year ended December 31, 2019, 14.9% of the Target Group's sales revenue with third parties and 15.9% of its operating profit (before consolidation) were generated by its Slide Bearings business unit.

The charts below provide an overview of the Target Group's sales revenue with third parties by business unit and split by geography for the fiscal year ended December 31, 2019:

Sales revenue with third parties by business unit

Split by geography



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

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

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

Headquartered in Augsburg, Germany, the Group operates seven production sites and 13 branch offices around the world. Its production sites are located in Germany (Augsburg, Rheine, Hanover), Switzerland (Winterthur), France (Saint-Ouen-l'Aumône), the United Kingdom (Bath) and the United States (Sterling Heights). As of March 31, 2020, the Target Group had 2,563 employees (including consolidated entities only), of which 2,198 were located in Germany.

STRENGTHS

The Group believes it benefits from the following competitive strengths.

Global technology and innovation leader supplying mission-critical components and systems.

The Group is an industry leading supplier of high quality automatic transmissions, gear units, suspension systems, slide bearings, couplings, and test systems, serving a diverse range of industries and end-markets. The Group is an innovation leader with superior technical capabilities and a supplier of high quality components. The Group maintains leading positions across its core markets in highly specialized product categories with a unique product offering. According to the Third Party Report, each of the Group business units is among the top four providers in its respective addressable markets in terms of market share measured by revenue. According to the Third Party Report, the Vehicle Transmissions business unit is a leading producer of fully automatic transmissions for medium- and heavy-weight tracked vehicles, the Special Gear Units business unit is a global leader in naval defense applications, including gear systems for combined propulsion systems, and the Standard Gear Units business unit holds market leading positions in large single and twin engine marine gearboxes. The Group also believes that the Slide Bearings business unit is the global leader in E-bearings for electrical machines.

The Group's products are, in many cases, mission-critical to its customers' respective end-products and require the highest quality and reliability. Superior product quality, engineering capabilities, customer integration and innovation are therefore key to its business model and paramount to its success. The Group believes its strong innovation capabilities and technology leadership are among its key competitive strengths and that its product innovations have formed the backbone of its success for many decades. Moreover, the Group's commitment to the highest industry quality and technological standards are underlined by its innovation pipeline and its continuous investments in R&D and technology to remain an innovation leader in its end-markets and sectors. The Group's ability to innovate is supported by more than 300 people dedicated to R&D and design and is demonstrated by a large innovation pipeline of new products supporting future growth. The Target Group incurred €13.7 million in research and development costs ("**R&D Costs**") in the fiscal year ended December 31, 2019 for the development of new and existing products and technology. In addition, the Target Group conducts similar R&D activities on an order-specific basis depending on its customers' demands and needs. These costs are recognized within the Target Group's cost of sales and are assigned to the respective customer order. These costs amounted to about double the Target Group's R&D Costs during the fiscal year ended December 31, 2019. In addition, the Group has established close co-operations with its customers and universities and has access to a broad network of relevant associations (*e.g.*, VDMA, FVA) in order to be able to closely follow and shape technological developments.

Diversified end-markets with overall positive underlying growth trends.

The Group serves a diverse range of end-markets with its products, including, in particular, armored tracked vehicles, marine (Navy and civil) applications, energy generation and the cement and oil & gas industries. As a result, the Group generates approximately half of its sales revenue from customers active in the defense sector, which has historically provided it with stable revenue streams based on strong order books and long-term contracts.

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

Significant growth in addressable defense markets is also expected due to the general need for modernization. The vehicle transmissions market for both new transmission units and aftermarket offerings in the Group's current and additional addressable geographies is attractive with an estimated volume of approximately €500 million according to the Third Party Report. The same report estimates the currently and additionally addressable market to grow at approximately 10 to 11% per annum until 2024. In addition, aging military fleets and long order times are directly leading to higher maintenance requirements and spend. On April 16, 2019, the Target acquired the Horstman Group, a provider of suspension systems for armored vehicles, which also added manufacturing capacity in the United Kingdom and the United States while also improving its access to new defense end-markets. A current project in the United States combined with certain localization strategies and the Target's acquisition of the Horstman Group, increases the potential for the Group to also enter the US market for vehicle transmissions, which to date it could not access.

According to the Third Party Report, the Navy market is expected to remain at high levels driven by high international demand for new shipbuilding programs. The Navy market is attractive with commissioned

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

Long-term contracts in defense segments, in particular vehicle transmissions and Navy gearboxes, together with recurring revenue streams from the Group's aftermarket business, provide stability of its sales revenues and profitability as well as a natural hedge during potential economic downturns. Furthermore, the industries the Group's products serve and the companies active in those industries follow different economic cycles and pursue investment strategies at different times, which also contributes to a degree of cash flow stability and, the Group believes, help to limit its exposure to adverse macroeconomic changes in any particular market segment.

Growing installed product base with further growth potential in high-margin aftermarket service offerings.

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

The Group's longstanding leading market positions have allowed it to achieve a large and growing installed base, which provides the Group with the potential for recurring and stable revenue streams. Moreover, the Group believes further penetration, particularly of its own installed base, provides further upside for its aftermarket revenue. The Group believes its aftermarket offering delivers high quality products and services, is strategically located in close proximity to its core addressable markets and customers, benefits from strong relationships with OEMs and end-customers as well as very knowledgeable field service engineers with strong technical capabilities.

Long-standing and close relationships with customers (including blue-chip OEMs and government agencies) driven by long product life-cycles.

The Group has a diverse and loyal customer base characterized by long-standing customer relationships with blue-chip OEMs, including Fincantieri, General Dynamics, GE, KMW, Lockheed Martin, Rheinmetall, and Siemens, as well as government agencies, primarily in the defense sector, including the Bundeswehr, Israel Ministry of Defense ("**MoD**") and French Armée de Terre. The Group believes it is a trusted supplier of premium products and maintains deeply integrated relationships with its customers whom it supports over long product lifecycles based on its ability to deliver superior quality as well as reliable custom-made solutions. The Group also believes it is well-positioned to leverage its strong project pipeline and to win further business. The pipeline for the Vehicles Transmissions business unit is backed by ongoing projects as well as new programs currently under development. The Group believes it has strong visibility over the medium term for projects with a high probability and that its strong market position and presence in many of the most relevant armored vehicle platforms increases the likelihood of winning further lots and new platforms. Platform projects ensure long-term and predictable revenue and earning streams.

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

Well-invested and global operational footprint with fully integrated engineering and production capabilities.

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

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

Attractive margin and free cash flow profile with high visibility on earnings development.

The Group maintains an attractive margin and Free Cash Flow profile with high earnings visibility, as shown by its strong sales revenue growth during the period under review, its Free Cash Flow generation, Cash Conversion and its significant Order Backlog. The Target Group's sales revenue increased from €469 million for the fiscal year ended December 31, 2017 to €502 million and €559 million for the fiscal years ended December 31, 2018 and 2019, respectively, mainly driven by the acquisition of Horstman and growth in the Target Group's aftersales and services businesses. Over the same period, the Target Group's EBITDA margin decreased from 16.8% (for the fiscal year ended December 31, 2017) to 15.0% (for the fiscal year ended December 31, 2019) mainly due to increasing price pressures in certain industrial applications, the phase-out of the business of wind gearboxes in the Standard Gear Units business unit and a warranty case in the Special Gear Units business unit.

Over the same period, the Target Group also increased its Free Cash Flow (calculated as EBITDA less Maintenance Capital Expenditures). The Target Group generated Free Cash Flow of €60 million in the fiscal year ended December 31, 2017 and €55 million and €64 million in the fiscal years ended December 31, 2018 and 2019, respectively, with Cash Conversion amounting to 76.1%, 69.7% and 76.3%, respectively.

The Group believes its future performance is supported by its strong Order Backlog, which creates high visibility on future earnings development. For the fiscal year ended December 31, 2019, the Target Group's Order Backlog amounted to €821 million, including €474 million in the Vehicle Transmissions business unit, €269 million in the Special Gear Units business unit, €55 million in the Standard Gear Units business unit and €31 million in the Slide Bearings business unit. The Vehicles Transmission business unit and Navy gearboxes from the Special Gear Units business unit are the largest contributors to the Group's total Order Backlog due to the long project lead times in defense applications. There are generally shorter lead times in commercial applications served by the Special Gear Units, Standard Gear Units and Slide Bearings business units. The Group's strong and growing Order Backlog will secure future revenue generation over the coming years.

Proven management team with significant industry experience.

The Company's management team has significant industry experience and the expertise to lead the Group's future growth strategy as it has demonstrated strong leadership and its ability to execute corporate strategies. The executive board is supported by experienced business unit management teams, which, in turn, are further supported by strong local teams. This management team is very experienced with more than 25 years of relevant industry experience on average. The Chief Executive Officer and Chief Financial Officer were appointed in 2007 and 2015, respectively, and have been instrumental to the growth of the business. The Company believes that the industry knowledge and leadership of its management team, combined with its long-term management experience, provides it with a significant competitive advantage and also positions it favorably for profitable future growth.

Following the consummation of the Acquisition, the Company intends to draw from the market expertise, business relationships, knowledge and experience of its Sponsor. The Sponsor has strong industrial manufacturing expertise and a strong track record of driving cost savings and improvements in margin, while at the same time growing its portfolio companies both organically and through targeted acquisitions.

STRATEGY

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

Vehicle Transmissions

The Group remains focused on expanding its strong positions with customers in existing markets and on continuing to enter and expand in new markets through strategic partnerships and local production capabilities. The Group is also continuing to expand its presence in the US market with the acquisition of the Horstman Group being a significant step in that direction. The Group expects its product innovations to support its expansion, which include amongst others autonomous driving (drive-by-wire) solutions for armored vehicles, integrated mobility solutions combining engines, transmission, final drives and / or suspensions, and state-of-the-art hydro-pneumatic and active suspension solutions. The Group is also in the process of further expanding and realigning the production and assembly of Vehicle Transmissions to optimize costs. Additionally, the Group aims to expand its aftersales business, including through an increase of its installed base and an even more pro-active service approach.

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

Special Gear Units

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

Standard Gear Units

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

Slide Bearings

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

History

The Company was founded by Johann Julius Renk in 1873 in Augsburg-Lechviertel, Germany, as a small workshop for the mechanical production of gear wheels. In 1879, the company moved to Augsburg-Göggingen, Germany, which remains the Group's headquarters. The Company was transformed into a stock corporation in 1897, and in 1923 the Company became part of the MAN Group. Following the majority takeover of MAN SE by Volkswagen Aktiengesellschaft in 2011, the Company also became a member of the Volkswagen Group.

In April 2019, the Company acquired the armored vehicle suspension systems provider Horstman Group, which added to its manufacturing capacity in the United Kingdom and the United States, while also improving the Group's access to new defense end-markets. The Company also acquired a minority stake in Modest Tree, a technology leader in developing virtual- and augmented reality applications and software without coding (*e.g.,* to create immersive training solutions).

In January 2020, the Issuer entered into a definitive agreement to acquire a 76% shareholding in the Company. Thereafter, in March 2020, the Issuer launched a voluntary public takeover offer for the acquisition of all non-par value bearer shares in the Company, representing the remaining 21% interest.

Business Units

The Group is divided into four business units: Vehicle Transmissions, Special Gear Units, Standard Gear Units and Slide Bearings.

Each of the Group's business units primarily manages their own manufacturing and core business processes from logistics through to production and sales. However, the business units share, to a certain extent, R&D, manufacturing and testing facilities, as well as the support of various centralized Group functions, such as finance, HR, IT and legal and compliance. Each of the business units sells to both third-party customers and to other business units.

Vehicle Transmissions

The Vehicle Transmissions business unit is one of the global innovation and technology leaders for fully automatic transmissions for medium- and heavy-weight tracked vehicles as well as a leading manufacturer of test rigs for various industrial end-markets.

The Group produces fully automatic transmissions, suspension systems (through Horstman), final drives and tailored products for armored vehicles with a weight of 25-70 tons and up to 1.8k hp. The Group's automatic power-shift transmissions are suitable for rear or front installation with all modern diesel engines. The Vehicle Transmissions business unit also supplies test systems and rigs (*e.g.*, load, torque and durability tests) to customers in a range of industrial end-markets, including the defense, aviation, rail and wind markets. These include turnkey test systems for R&D, production and quality assurance of products in the automotive, railway, aviation and tracked vehicle industries as well as for drive trains in wind turbines. The acquisition of the Horstman Group on April 16, 2019, allows the Group to further expand the Vehicle Transmissions business' portfolio and systems expertise and to strengthen its global presence. Horstman continues to operate independently as its own sub-unit within the Group and will develop new mobility solutions in collaboration with the Group. The Group's strong Order Backlog development in the Vehicle Transmissions business unit is expected to continue to remain on high levels in the medium term. Recent orders secured in the Vehicles Transmissions business unit include transmissions for the Leopard 2 and the K2 main battle tank.

In the fiscal year ended December 31, 2019, the Vehicle Transmissions business unit generated 40.9% of the Target Group's sales revenue with third parties and 72.1% of the Target Group's operating profit (before consolidation). As of and for the month ended May 31, 2020, the total Order Intake and Order Backlog for the Vehicle Transmissions business unit amounted to approximately €88 million and approximately €468 million, respectively.

Special Gear Units

The Special Gear Units business unit is a leading supplier of stationary gear units, high-speed gear units and complex gear units primarily for naval applications, fast ferries, and mega-yachts. The product range extends from stationary gear units for a variety of industrial applications, including the cement, energy and petrochemical sectors, to high-speed gear units with up to 140 MW of transmission power and complex gear units for fast ferries and naval applications such as frigates, corvettes and patrol vessels with up to 100 MW of transmission power. The Group manufactures products for the Special Gear Units business unit at its production facilities in Augsburg, Germany, and Winterthur, Switzerland. The Group is well placed to execute projects in the Navy gearboxes pipeline based on its strong engineering capabilities. In addition, the Group's strong Order Backlog development in the Special Gear Units business unit is expected to continue to remain on high levels in the medium term. Recent Navy orders secured in this business unit include the British Type 31E and the South Korean FFX III vessels.

In the fiscal year ended December 31, 2019, the Special Gear Units business unit generated 32.0% of the Target Group's sales revenue with third parties and 10.3% of the Target Group's operating profit (before consolidation). As of and for the month ended May 31, 2020, the total Order Intake and Order Backlog for the Special Gear Units business unit amounted to approximately €197 million and approximately €411 million, respectively.

Standard Gear Units

The Standard Gear Units business unit, located in Rheine, Germany, is a technology player with a market-leading position in large single and twin engine marine gear units. It specializes in the production of gear units for ships, particularly for merchant ships, ferries, LNG/LPG tankers, supply vessels and specialty ships. The business unit also manufactures gear units for sectors including energy generation, oil & gas, and others. In addition to gearboxes, the Standard Gear Units business unit manufactures couplings for various industrial applications including energy generation, oil & gas, steel production, mining, and marine.

In the fiscal year ended December 31, 2019, the Standard Gear Units business unit generated 12.2% of the Target Group's sales revenue with third parties and 1.7% of the Target Group's operating profit (before consolidation). As of and for the month ended May 31, 2020, the total Order Intake and Order Backlog for the Standard Gear Units business unit amounted to approximately €26 million and approximately €54 million, respectively.

Slide Bearings

The Slide Bearings business unit is the global leader in E-bearings for electrical machines. At its production site in Hannover, Germany, the Group manufactures hydro-dynamically lubricated slide bearings specifically designed for propeller thrust absorption, heat dissipation, heavy-duty performance and electrical current protection. The Group's slide bearings are used for electric motors, generators, pumps, blowers, water turbines, and conveyors. The respective end-markets include marine, energy generation, and mechanical/plant engineering.

In the fiscal year ended December 31, 2019, the Slide Bearings business unit generated 14.9% of the Target Group's sales revenue with third parties and 15.9% of the Target Group's operating profit (before consolidation). As of and for the month ended May 31, 2020, the total Order Intake and Order Backlog for the Slide Bearings business unit amounted to approximately €40 million and approximately €31 million, respectively.

Services

In each of its business units, the Group has an after-sales team which is responsible for providing services to the Group's customers from the time the customer receives a delivery of the Group's products. These teams are responsible for general communications with customers on after-sales service-related issues.

These teams are located in multiple locations throughout the Group's markets, which puts them into closer contact with the Group's customers. The teams provide advice to customers on necessary maintenance procedures and supply spare parts through a stock management program that allows frequently required spare parts to be delivered on short notice. In addition, there are dedicated field service engineers in each of the Group's business units that perform maintenance work for the Group's customers.

The Group's significant global presence allows it access to recurring earnings on the back of certain predictable service intervals. For instance, regular, light-touch maintenance is typically conducted on a bi-annual basis. The Group believes it has the potential to capture only some of these revenues, with smaller services typically being conducted by customers in-house. In addition, change of spare parts and major overhauls are typically conducted at 5 and 10 year intervals, respectively, and the Group believes it has the potential to capture a significant proportion of those revenues.

According to the Third Party Report, vehicle transmissions, marine, special stationary, standard stationary, Navy and other gearboxes accounted for approximately 30%, 23%, 18%, 13%, 8% and 8% of the Group's installed base, respectively. Each of the Group's business units has its individual after-sales strengths. The Vehicle Transmissions business unit has the technological expertise to service its installed base. In addition it is recognized for the high quality service it delivers and its footprint is in close proximity to its core addressable markets. The Special Gear Units business unit is a certified supplier of Navy equipment and has strong relationships with some OEMs who, in turn, have a large support network as well as end-market customers. The Standard Gear Units business unit has knowledgeable field service engineers with strong technical capabilities and is a preferred supplier for spare parts. The Group also has established local networks in growth markets such as the United States, China and India. Finally, the Slide Bearings business unit has strong relationships with many OEMs. The Group's business units are supported by a global network of service hubs located in close proximity to its core addressable markets and customers.

Competition

The Group's capability is built on maintaining a leading technological position in individual application areas, its global presence in relevant markets and service quality tailored to the needs of the Group's international customers. Competition varies by product type. The market for standard products is characterized by significant competition, due to the maturity of the market, customer consolidations and rationalizations and potential over-capacity. The market for application-based products is characterized by higher customer demand for quality service and for products with a long operational life.

In the Vehicle Transmissions business unit, the Group's primary competitors include Ashot, ST Engineering, Allison Transmission, SAPA, L3Harris, David Brown Santasalo, General Kinetics, AIP, MTS and RedViking.

In the Special Gear Units business unit, the Group's primary competitors include ZF, Naval Group, Reintjes, Flender, Abex, Voith Turbo, David Brown, Santasalo and Philadelphia Gear.

In the Standard Gear Units business unit, the Group's primary competitors include Wärtsilä, Flender, Reintjes, KTR, Jaure, and Voith Turbo.

In the Slide Bearings business unit, the Group's primary competitors include Miba, Hunan Sund, Kingsbury, Inc., Blohm + Voss and British Engines Group.

Customers

The Group's products are deployed in various end-markets including defense, marine, energy generation (conventional, hydro and wind), and oil & gas. Excluding test systems, the primary end-market for the Vehicle Transmissions business unit is the defense sector. The end-markets for the Special Gear Units business unit primarily include Navy, energy generation, plastic production, cement production, oil & gas, and other sectors. The end-markets for the Standard Gear Units business unit primarily include the civil marine, energy generation and oil & gas sectors. The end-markets for the Slide Bearings business unit are the marine, energy generation and mechanical / plant engineering sectors. In addition to new product sales, the Group generates a significant portion of its revenues through recurring aftermarket and service offerings by leveraging its large and growing installed base across the entire product portfolio.

R&D

While the technology used in many of the Group's products is well-established, the end-user market demands ongoing improvements and development of more specialized application-based products, which require considerable R&D efforts and expertise. The Group's goal is to maintain and expand its leading technological positions in key areas. R&D plays an ever more prominent role in this. Most of the products in the Group's range have long lifecycles, so in addition to new developments within and outside the existing product lines, the Group's innovation efforts mainly focus on progress that benefits customers. In addition, development of the Group's more customized products is carried out in cooperation with the Group's customers in order to meet specified requirements. The Target Group incurred €13.7 million in R&D Costs in the fiscal year ended December 31, 2019 for the development of new and existing products and technology. In addition, the Target Group conducts similar R&D activities on an order-specific basis depending on its customers' demands and needs. These costs are recognized within the Target Group's cost of sales and are assigned to the respective customer order. These costs amounted to about double the Target Group's R&D Costs during the fiscal year ended December 31, 2019.

In the financial year 2019, the Target Group had more than 300 employees dedicated to R&D and design, with more than 200 located in Germany.

Continuous investments in R&D and technology is a must for innovative solutions. The Group is responding to the technological trends towards (a) electrification—stringent regulation and changed customer behavior are increasing the demand for electric or hybrid solutions as well as supplementary products; (b) digitalization—the Group's customers are demonstrating an acceptance and demand for options to transmit product as well as maintenance and service data digitally and to optimize engineering and production processes; and (c) lighter, more compact solutions—to allow for extra weight for new components such as communication systems. The Group offers a range of innovative solutions for electric- and hybrid propulsion systems for marine applications, including:

- *AED (Advanced Electric Drive):* A fully electric drive well-suited for low-noise marine applications;
- *MARHY® hybrid drive:* An innovative drive concept which enables ships to provide an alternative drive mode and reduce emissions in electric drive mode, in addition, it can also be used to provide additional electric power;
- *Hybrid propulsion systems:* A hybrid system combining different prime movers such as diesel engines, gas turbines and electrical motors; and
- *IFPS (Integrated Front-end Power System):* A PTO (power-take-off) hybrid solution for two-stroke vessels, which can be directly mounted to the engine's front-end and thereby offer a compact solution for electric power generation.

The Group has also developed sophisticated digital solutions as well as training procedures to help its customers to increase the efficiency and reliability of gearboxes. The Group has developed the RENK VIB-Monitor which is an intelligent status monitoring system for gearboxes allowing efficient maintenance planning. Further, the Group's collaboration with Modest Tree allows for a comprehensive offering of virtual- and augmented reality solutions, for example, for customer trainings.

The Group cooperates with various universities and research institutes, not to mention industry partners, on individual projects to help share technological developments.

In the fiscal year ended December 31, 2019, R&D Costs of the Target Group amounted to € 13.7 million for new products and the enhancement of existing products. Similarly, in the fiscal year ended December 31, 2018, R&D Costs of the Target Group amounted to € 13.1 million.

Vehicle Transmissions. This business unit's activities focused on cooperation with system providers for the integration of the Group's transmissions into vehicle concepts. Ongoing development of individual transmission components also continued in 2019. Various measures were also in place to optimize products and costs.

The development activities of the Group's test rig business are closely geared towards the specific requirement profiles of the respective customer's application.

Special Gear Units. In the past, this business unit developed the AED (Advanced Electric Drive) for maritime applications, which can be used as a primary or auxiliary drive for low-noise drives. The first systems have been delivered and are proving reliable. This business unit is working continuously on the ongoing development of this technology to tap into additional marine applications in fields not previously accessible to the Group. Activities also center around optimizing products and processes in order to manage increasing competition and price pressure.

In addition to the ongoing development of established concepts, work focused on achieving market readiness for high-efficiency, variable turbo gear units with a competitive cost structure. Also, a new gear unit was designed for the plastics industry that extends the Group's product range in this field. The advancing integration of electrical and mechanical drive technology is reflected in many developments.

Standard Gear Units. This business unit concentrated on continuing development projects initiated in previous years. The focus for marine gear units was on broadening the product portfolio for dredgers. Work was also done on front-ended PTO (power-take-off) gear units for marine diesel engines. The main projects in offshore wind turbine activities included the development of a new series of wind turbine gear units and a new series of wind turbine couplings. Regarding industry applications, work was also done on other gear unit series for the oil & gas market.

Slide Bearings. As in previous years, development activities in this business unit focused on process improvements for different coating technologies. In addition, the Slide Bearings business unit is developing new bearings to enter the wind energy market and tilting pad bearings for high-speed machine applications.

Intellectual Property

The Group applies for patents in appropriate jurisdictions to protect its intellectual property, which is often the result of the Group's R&D activities. The Group currently has patents and pending patent applications in Germany and other countries. As of the date of this Offering Memorandum, the Target Group has patents, trademarks and design rights registered in more than 40 jurisdictions. While these patents and patent applications are important to the business, the Group does not believe any individual patent is critical to the Group's overall business. The Group also protects certain confidential information and know-how as trade secrets where the Group believes their use offers it advantages over others in the market. Some of the technology the Group uses is owned by others and used under license. The Group believes that it owns or licenses, or could obtain on reasonable terms, any intellectual property rights needed to conduct its business. Furthermore, the Group relies on certain trademarks for its business, such as the RENK logo trademark.

Pursuant to a service contract, MAN Energy Solutions SE is responsible for the administration and maintenance of the Group's intellectual property rights. Following consummation of the Acquisition, the Group currently plans to enter into a new agreement with MAN Energy Solutions SE and to engage outside legal counsel for any services MAN Energy Solutions SE would no longer be allowed to provide to the Group.

Sales and Marketing

The Group's global sales and marketing force comprises more than 150 own sales representatives and additionally third-party sales agents across the globe. The Group has multiple points of contact with potential sales customers: directly—the Group has direct, long-standing business relationships with major OEMs, public authorities, end-users and packagers; through agents—the Group has a worldwide presence of agents for all product groups in order to benefit from their network and minimize sales costs; and through OEMs and / or prime contractors—acting as general contractors who buy all components for the entire plant or end-product.

Environmental Matters

The Group's facilities and operations are subject to environmental occupational health and safety laws and regulations in each of the jurisdictions in which the Group operates. These laws govern, among other things, discharges of pollutants into the air, water and land, the use, storage and disposal of hazardous substances and waste, and the cleanup of contaminated properties.

The Group has made a commitment to making progress in terms of energy efficiency, carbon footprint and waste/gas management and are committed to using resources carefully and sustainably. The Group's certified environmental management system in accordance with DIN EN ISO 14001 at the Augsburg, Hanover and Rheine sites ensures that key environmental aspects such as energy efficiency are taken into consideration, contributing to active resource management.

At the Hanover site, a new surface coating system was installed and commissioned. The new system and thus the coating process as a whole use far less energy and fewer coating and base materials than the current coating procedures. Another focus was on preventive measures to reduce energy consumption by reducing the need for air conditioning at the site.

For all investments, the Group takes environmental matters into consideration. For example, as part of renovating a section of the building at the Rheine site, insulation for the walls and the roof was refurbished and upgraded to meet the latest technical standards. The heating system for this area was converted to a modern heat pump and gas heating setup, which will result in CO2 savings.

Employees

As of December 31, 2019, the Target Group employed 2,569 people (December 31, 2018; 2,319) and had 68 subcontracted employees (December 31, 2018: 66). Additional employees were hired in 2019 as a result of new challenges (*e.g.,* ongoing internationalization and digitalization as well as integration of foreign Group companies). A key focus of the Target Group's hiring strategy in 2019 was the communication of the Company's expertise and culture to new employees in order to expand the Target Group's expertise in various sectors. In addition, some corporate functions that had previously been carried out by MAN SE had to be established internally in the Target Group in 2019. The increase in the number of employees working abroad was due primarily to the acquisition of Horstman. The number of employees in Germany was 2,205 (December 31, 2018: 2,132) and abroad was 364 (December 31, 2018: 187).

Pension Liabilities

The Group grants its employees retirement benefits in accordance with the country-specific circumstances in the form of defined benefit or defined contribution pension plans. In defined contribution plans, contributions are paid to state or private pension funds on the basis of legal or contractual regulations. There are no further payment obligations other than the payment of contributions.

For example, under the pension plan scheme in Germany, the Group's active domestic employees receive employer contributions linked to their remuneration and, in addition, also have the option of personal provision through deferred compensation (paid for by the employer for employees subject to collective bargaining agreements). In Switzerland, the defined benefit pension claims and the actuarial reserves are managed in industry-wide company pension institutions. In France, obligatory post-employment obligations are paid.

The present value of defined benefit obligations on December 31, 2019 was € 181.6 million (December 31, 2018: € 165.4 million). Plan assets on December 31, 2019 were € 167.3 million (December 31, 2018: € 149.3 million). As of December 31, 2019, the Target Group's provisions for pension obligations amounted to € 14.2 million. For additional information, see Note 25 of the 2019 Audited Consolidated Financial Statements. The Target Group's pension plan assets are managed by third-party investment funds. While the Target Group prescribes the general investment strategies applied by these funds, the Target Group does not determine their individual investment securities or alternatives. The pension plan assets are invested in various asset classes, including equity, fixed-income securities, real estate and other investment vehicles.

Insurance

As part of the Group's ongoing business, the Group purchases insurance coverage for many categories of risk, to the extent the Group considers appropriate or otherwise required by applicable law, including general liability, legal expenses, certain construction risks and property insurance. In order to reach the best results concerning premium as well as coverage the Group works together with its insurance broker Volkswagen Insurance Broker GmbH. Following consummation of the Acquisition, the Group will establish a new insurance framework with an independent broker.

Production Facilities

The following table sets out certain information related to the Group's production facilities:

Location	Product Focus	Owned/Leased
Augsburg, Germany	Special gear units (Navy, high-speed, extruder and mills), vehicle transmissions, test systems	Owned
Hanover, Germany	Slide bearings, couplings	Owned
Rheine, Germany	Standard gear units (marine, stationary high-speed and industrial), couplings	Owned
Winterthur, Switzerland	Special gear units, couplings	Leased
Saint-Ouen-l'Aumône, France	Vehicle transmissions	Owned
Bath, United Kingdom	Suspension systems	Owned
Sterling Heights (MI), USA	Suspension systems	Leased

The Group's three core manufacturing plants are located in Germany (Augsburg, Rheine and Hanover). The Group's manufacturing plants are well-invested with little excess investment requirements and offer technically strong and very versatile production capabilities as well as strong integration of ERP (SAP) in production. Some of the Group's production facilities include an in-house hardening and heat treatment shop with particular focus on large gearboxes.

In addition to the Group's production facilities above, the Group has subsidiaries or branches in the Netherlands. United States, Canada, Brazil, Turkey, UAE, India, China, Japan and South Korea.

Legal and Arbitration Proceedings

From time to time, the Group is involved in legal proceedings arising in the normal course of its business. Other than as described below, the Group does not expect that any of these proceedings, either individually or in the aggregate, will result in a material adverse effect on the Group's consolidated financial condition or results of operations.

The Company is currently party to an arbitration proceeding in connection with a product liability claim and a second claim for purported delay and disruption by a customer in the Special Gear Units business unit. As the proceedings are pending, the Company cannot determine the final outcome of the matter and has made accruals and provisions accordingly. See Note 26 of the 2019 Audited Consolidated Financial Statements. Written statements have been exchanged and additional written exchange as well as a hearing scheduled which has been postponed to the second half of 2020 due to COVID-19.

Given possible further delays due to COVID-19, the Company cannot accurately assess when a final reward can be granted. As of the date of this offering memorandum, the Company would expect the arbitration matter to be resolved in the first half of 2021.

Export controls

Overview

The Group's business is subject to strict export control regulations. In the EU and Germany, the foreign trade of commodities of strategic importance, mainly weapons, armaments and dual-use items, is subject to restrictive control regimes and permit requirements. As a principle, export control regulations applicable in Germany cover three different types of security relevant products: the export of dual-use items (*Güter mit doppeltem Verwendungszweck*), the export of military equipment (*Rüstungsgüter*), and the export of war weapons (*Kriegswaffen*). Different licensing procedures apply to each of these products—depending on the applicable category of goods, which are specified in respective lists of goods (*Güterlisten*). Goods designed exclusively for civil use are in principle free of export control restrictions.

Dual-Use Export Control Regime

Dual-use items are goods, software and technology that can be used for both civilian and military applications. The EU export control regime for dual-use items is governed by Regulation (EC) No 428/2009 as last amended by Commission Delegated Regulation (EU) 2019/2199 ("Dual-Use Regulation"), which provides for common EU control rules, a common EU dual-use items list and harmonized policies for implementation. Under the EU regime, the export of dual-use items is subject to control and dual-use items may not leave the EU customs territory without an export authorisation. The Dual-Use Regulation is binding and directly applicable throughout the EU. EU Member States nevertheless need to take certain measures for implementing of some of its provisions, *e.g.,* in relation to breaches and applicable penalties.

In Germany, besides the Dual-Use Regulation, export control of dual-use items is governed by the Foreign Trade and Payments Regulation (*Außenwirtschaftsverordnung*, "AWV") and the Foreign Trade and Payments Act (*Außenwirtschaftsgesetz*, "AWG"), among other provisions. Export authorizations are generally granted by the Federal Office of Economics and Export Control (*Bundesamt für Wirtschaft und Ausfuhrkontrolle*, "BAFA").

German Control System for Military Equipment and War Weapons Exports

The AWG and AWV require the licensing of all military equipment exports. The military equipment is listed in full in Part I Section A of the so-called Export List (*Ausfuhrliste*) which is the first annex to the AWV. It is divided down into 22 positions (No. 0001 to No. 0022) that have their own sub-divisions. In accordance with the principle of the freedom of external economic transactions, on which the systematic approach of the AWG is based, the applicant has a fundamental right to the issuance of an export license, unless a license may be denied because of a violation of interests protected under the AWG.

Some of the military equipment articles falling under the Export List are also war weapons as defined by Art. 26(2) of the Basic Law (*Grundgesetz*) and by the War Weapons Control Act (*Kriegswaffenkontrollgesetz,* "KrWaffKontrG"). Pursuant to the KrWaffKontrG, war weapons are items, substances or organisms that are capable alone or in conjunction with each other or with other items, substances or organisms of causing disruption or damage to persons or things and of being used as a means of violence in armed conflicts between states. They are listed in the 62 positions of the War Weapons List (*Kriegsgwaffenliste*) which is the annex to the KrWaffKontrG and also provided comprehensively in Part I Section A of the Export List. For the export of these weapons, a license must be obtained under the KrWaffKontrG (transport authorisation for the purpose of export), and additionally an export license pursuant to the AWG and AWV.

SHAREHOLDERS

Following consummation of the Acquisition and the Takeover Offer (subject to Withdrawal Rights), the Issuer is expected to hold 91.07% of the Company's issued share capital. As a result, the Sponsor will indirectly hold 91.07% of the Company's issued share capital.

The Sponsor

Founded in 1997, Triton is a leading private equity investment firm in the German-speaking and Nordic regions with 12 offices including Jersey, London, Frankfurt, Stockholm, Luxembourg and Shanghai. Its investment philosophy is focused around building better businesses and producing superior investment returns based on operational improvement and "buy and build" value-creation strategies. Triton's current portfolio comprises 42 companies in Europe with combined sales of approximately €17.2 billion and over 81,000 employees. The management teams and businesses of Triton partners have to date completed more than 260 add-on acquisitions. Triton seeks to invest in market-leading companies with strong long-term prospects in its core sectors of industrial manufacturing, business services and consumer/health services.

MANAGEMENT

The following presents the governance of the Issuer and the Company as of the date of this offering memorandum. After the Acquisition, the Company expects certain changes to its governance. It is anticipated that the board will be composed of representatives chosen by Triton in accordance with mandatory corporate law. Triton is expected to be represented in the supervisory board of the Company according to its shareholding following the Acquisition Closing Date. The supervisory board of the Company will be responsible for supervising the general course of affairs of the Group.

The Issuer

The Issuer is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Germany. As a limited liability company, the Issuer is managed by its managing directors, who are appointed by the shareholders' meeting (*Gesellschafterversammlung*). The rights and duties of the managing directors are subject to applicable German law and the resolutions of the shareholders' meeting.

The articles of association of the Issuer provide that if only one managing director is appointed, the (s)he may bind the Issuer alone. If several managing directors are appointed, then two managing directors acting jointly, or one managing director together with a holder of a statutory power of attorney (*Prokurist*) may act on behalf of the Issuer.

The principal objects of the Issuer are set forth in article 4 of its articles of association and permit the Issuer, *inter alia*, to establish, acquire or hold investments in similar or different companies and to establish agencies, branches and subsidiaries both within the Federal Republic of Germany and abroad.

Management

The Issuer has the following managing directors (*Geschäftsführer*).

Name	Age	Responsibility	Other principal positions
Claus von Hermann-Spürck . .	45	Managing Director	Investment Advisory Professional and Co-Head DACH Triton Beratungsgesellschaft GmbH
Volker Stumpf	54	Managing Director	Managing Director of West Part Management Services Germany GmbH

Mr. Claus von Hermann-Spürck was appointed Managing Director in 2020. He holds a degree in International Management (*Diplom-Betriebswirt*) from ESB Reutlingen and a degree in European Business from Dublin City University. From 2001 until 2004, he was an associate at Credit Suisse First Boston in Frankfurt and London where he was part of the Equity Corporate Finance Team and Financial Sponsors/ Leveraged Finance Team. From 2004 until 2007, he was an associate at Court Square Capital Partners in London. In 2007, he joined Triton Beratungsgesellschaft GmbH.

Mr. Volker Stumpf was appointed Managing Director in 2020. He holds a degree in Business administration from University from Johann Wolfgang Goethe-University, Frankfurt am Main. From 1993 until 2001 he was auditor/manager at WEDIT Deloitte & Touch in Frankfurt. From 2001 until 2003, he was a finance director at Michael Page International (Deutschland) GmbH and in 2004, he moved to Value Retail Management Germany GmbH, Wertheim (Wertheim Village) where he was Head of Finance, Germany. Since 2005, he held the position of Managing Director at West Park Management Services Germany GmbH.

The Company

Overview

In accordance with the German Stock Corporation Act (*Aktiengesetz*), the Company has a two-tier board system consisting of an Executive Board (*Vorstand*) and a Supervisory Board (*Aufsichtsrat*). The two boards are separate, and, as a general manner, no individual may serve concurrently as a member of both boards.

The Executive Board is responsible for managing the Company's day to day business in accordance with applicable German law and the articles of association (*Satzung*) (the "**Articles of Association**") as well as its rules of procedure (*Geschäftsordnung*). In addition, the Executive Board must ensure appropriate control of risk within the Company and its subsidiaries in order that any developments jeopardizing the Company's future as a going concern may be identified at an early stage. The Executive Board legally represents the Company in dealings with third parties and in court. According to the Articles of Association, the Company is represented by two members of the Executive Board acting jointly or one member of the Executive Board acting jointly with a holder of a statutory power of attorney (*Prokurist*).

The Supervisory Board advises the Executive Board on the management of the Company, monitors its conduct of business and is responsible for appointing and dismissing the members of the Executive Board for good cause. It also represents the Company in transactions between a member of the Executive Board and the Company. While the Executive Board is responsible for submitting regular reports on the Company's business activities and fundamental issues relating to corporate planning (including financial, investment and personnel planning) to the Supervisory Board, the Supervisory Board has the right to request special reports at any time from the Executive Board. The Executive Board is also obliged to duly report to the Supervisory Board such transactions as may be of considerable importance to the Company's profitability (for example, certain capital expenditures exceeding a certain materiality threshold or consolidating companies or certain transactions of certain subsidiaries) or liquidity, so that the Supervisory Board may have an opportunity to express its opinion on such transactions before they are concluded. The Supervisory Board may also request a report at any time on matters concerning the Company, on the legal and commercial relationships with affiliated companies or on commercial operations at these companies that may have a significant impact on the Company and its subsidiaries.

The Supervisory Board generally may not exercise management functions. The Articles of Association and the rules of procedure (*Geschäftsordnung*) of the Executive Board, however, require that certain types of transactions may not be carried out by the Executive Board without the prior consent of the Supervisory Board. If the Supervisory Board refuses to approve a certain transaction or business activity contemplated by the Executive Board, the Executive Board can request that the general shareholders' meeting decide on the matter (with a 75% majority). However, the general shareholders' meeting of a German stock corporation may not issue directives to or instruct the Executive Board.

The members of the Executive Board and the Supervisory Board owe duties of loyalty and care *vis-à-vis* the Company. In discharging their duties, the members of these corporate bodies must consider a broad range of interests, including the Company's interests, which in turn include the interests of its shareholders, employees, creditors and, to a certain extent, the general public. The Executive Board must also take due account of the shareholders' right to equal treatment and equal information. The members of the Executive Board or of the Supervisory Board are jointly and severally liable to the Company for any damages that may arise if they fail to comply with their duties.

As a basic principle under German law, a shareholder has no direct recourse against the members of the Executive Board or the Supervisory Board in the event that they breach a duty *vis-à-vis* the Company. Except under certain special circumstances, only the Company itself has the right to bring claims for damages against members of either board, whereby the Company is represented by the Executive Board when bringing claims against the Supervisory Board and by the Supervisory Board when bringing claims against the Executive Board.

Under German law, no individual shareholder (or any other person) may exert its influence on the Company to cause a member of the Executive Board or the Supervisory Board to engage in any act detrimental to the Company. Shareholders with a controlling interest may not use it to cause the Company to act against its own interest unless the prejudice to its interests is compensated for.

The Company has taken out a directors and officers liability insurance policy for all members of the Executive Board and the Supervisory Board and for certain other managers with leadership responsibilities within the Company and its subsidiaries.

Executive Board

General Information

The Executive Board is responsible for managing the business of the Company in accordance with the German Stock Corporation Act, the Company's Articles of Association and the rules of procedure (*Geschäftsordnung*) for the Executive Board. The Executive Board also represents the Company in its dealings with third parties and in court. According to the Articles of Association and the provisions of the German Stock Corporation Act, the Executive Board must consist of a minimum of two members. The Supervisory Board determines the number of members of the Executive Board and appoints such members. It may also appoint the chairman and deputy chairman of the Executive Board. Members of the Executive Board are appointed for a maximum term of five years. They may be repeatedly reappointed or their term of office may be extended, in each instance for a period of up to five years. The Supervisory Board may revoke the appointment of a member of the Executive Board before the end of his or her term of office for good cause, such as gross breach of duty or in case of a vote of no confidence by the general shareholders' meeting.

The Executive Board has overall responsibility for the Company's business. In accordance with its allocation of responsibilities plan (*Geschäftsverteilungsplan*), each member of the Executive Board is assigned an area of responsibility defined in such plan, which sets out the allocation of responsibilities. Notwithstanding the overall responsibility held by the Executive Board, each member of the Executive Board is responsible for the area allocated to him or her. Pursuant to the articles of association (*Satzung*), the Supervisory Board may decide that certain management actions may only be taken, and certain types of transactions may only be concluded, with the approval of the Supervisory Board. If not otherwise required by law, the Executive Board decides by majority vote. In the event of a tie, the chairman has the deciding vote. Members of the Executive Board may not deal with, or vote on, measures relating to proposals, arrangements or contracts between him/herself and the Company. The Executive Board is required to meet once a month.

Individual board members serve as representatives with primary responsibility for the Company's various corporate functions and for the fields of business in which the Company operates. Despite this internal allocation of responsibilities, each member of the Executive Board has overall responsibility (*Gesamtverantwortung*) for the Company as a whole.

The Company's Articles of Association provide that the Company can be legally represented by two members of the Executive Board or by one member of the Executive Board in conjunction with an authorized signatory who holds a statutory power of attorney (*Prokurist*).

Current Members of the Executive Board

The following table sets forth the current members of the Company's Executive Board.

Name	Age	Member since	Appointed until	Responsibility	Other principal positions
Florian Hofbauer	59	September 2007	July 2025	Chief Executive Officer (CEO) (*Sprecher des Vorstandes*)	Managing Director of Verwaltungsgesellschaft Wasseralfingen mbH. Director of SHW Inc., USA (Delaware)
Christian Hammel	48	August 2015	July 2025	Chief Financial Officer (CFO) (*Verwaltung und Produktion*)	

Mr. Hofbauer was appointed as the Company's Chief Executive Officer in 2007. He holds a degree in engineering from the University of Applied Sciences Rosenheim. From 1985 until 1992, Mr. Hofbauer was project engineer for lightweight technology at MAN Technologie AG, Munich. From 1992 until 1997, he was program director for aviation at MAN Technologie AG and from 1997 until 2000 he was head of production planning and control division of the Ariane 5 also at MAN Technologie AG, Munich. Mr. Hofbauer was head of the technical planning division at MAN AG, Munich from 2000 to 2002. From 2002 until 2005, he was CEO of MAN Logistics GmbH, Heilbronn. He was a member of the executive management board of Schwäbische Hüttenwerke GmbH, Aalen-Wasseralfingen and head of the strategy and structure division at MAN AG, Munich from 2005 to 2007.

Mr. Hammel was appointed as the Company's Chief Financial Officer in 2015. He holds a degree in business administration from the University of Regensburg. From 1999 until 2004, Mr. Hammel was division manager controlling, quality management and private customer sales at Sixt Leasing AG, Pullach. From 2004 until 2007, he was head of sales controlling at MAN Truck & Bus AG, Munich and from 2007 until 2009, he was division manager sales business solutions at MAN Truck & Bus Deutschland GmbH, Munich. Mr. Hammel was head of corporate strategy of MAN Truck & Bus AG, Munich from 2009 until 2014. From 2014 until 2015, he was member of the executive board—finance of MAN Truck & Bus Österreich AG, Steyr, Austria.

The members of the Executive Board can be contacted at the Company's address.

Compensation and Share Ownership

The remuneration of the members of the Executive Board reflects the tasks of each member of the Executive Board, their personal performance, the economic situation, the success and future prospects of the Company.

The remuneration of the Executive Board comprises three components: (i) a salary and benefits in kind not related to performance, (ii) performance-based components and (iii) pension contributions. The performance-based, variable remuneration takes into account individual performance, the Company's success and long-term strategic objectives. The remuneration structure and its components are based on the respective employment contract.

The fixed remuneration is paid as a monthly salary. There are also benefits in kind, including in particular the provision of company cars and the payment of insurance premiums. The fixed remuneration is regularly reviewed to take into account the general pay trend and the responsibilities of the respective Executive Board member. The variable compensation is calculated on the basis of three equally weighted components, each of which is limited to 200% of the target value: (i) long-term incentive, (ii) corporate bonus and (iii) personal performance bonus. The long-term incentive is directly linked to the goals of the VW Group's 2018 strategy and is based on the performance criteria derived from the strategy. The calculation is based on a four-year period. The target areas are: top customer satisfaction (measured by the customer satisfaction index); top employer (measured by the employee index), increase in sales (measured by the growth index) and increase in return (measured by the return index). The customer satisfaction index is calculated using indicators that reflect customers' overall satisfaction with the delivering dealers, new vehicles and service operations on the basis of their last workshop visit. The employee index is determined from the indicators "employment" and "productivity" and from the participation rate and the result of employee surveys. The growth index is calculated from the indicators "delivery to customers" and "market share." The return index is calculated from the development of the return on sales and the dividend on VW AG's ordinary shares.

The indices calculated for customer satisfaction and on employees and the sales situation are added together and the result is then multiplied by the return index. This method ensures that the long-term incentive bonus is only paid out if the Group is financially successful as a whole. This is because the return index is zero if the return on sales does not exceed a threshold of 1.5%. However, both current managing directors are entitled to represent the Issuer solely and are released of the statutory self-restrictions of self-contracting (*i.e.*, self-dealing and double-representation).

Taking into account the four-year average of the overall indices—for the fiscal year ended December 31, 2019 and the three preceding fiscal years—the maximum amount of the long-term incentive bonus was set at €270.0 thousand for the CEO and at €240.0 thousand for the second member of the Executive Board.

The Company allows the Executive Board to share in the business success of the Group. This success is measured by the operating profit of the Group. The calculation is based on a two-year period. The achievement of targets is measured using the following system:

The average value of the operating profit of the Group for the last two fiscal years (including the fiscal year in which the bonus is granted) is compared against a target value set by the Supervisory Board before the beginning of the fiscal year in which the bonus is granted. The target value is 100% target achievement. The target value is reviewed by the Supervisory Board at regular intervals, at least every three years, and adjusted if necessary.

The resulting percentage ratio between the average value and the target value is the percentage value for the target, which is capped at 200% of the average. The Supervisory Board has set the target value at €55.0 million.

The personal performance bonus honors individual performance in the previous fiscal year on the basis of target achievement according to the individual target agreement and performance evaluation. Quantitative and qualitative factors are used to determine the bonus. The personal performance bonus is set by the Supervisory Board.

In addition, the members of the Management Board are entitled to a company pension. The pension entitlements include old age, disability and surviving dependents' benefits. Entitlements to such benefits are accumulated under a defined contribution, fund-based system, the Capital Account Plan. Each year the Company pays a contribution of 20% of eligible pay, which is the total of the contractually agreed fixed and variable remuneration. Additional contributions through gross deferred compensation are possible. The contributions paid and interest on them are accumulated in individual capital accounts. The performance of the capital account is directly linked to the capital market and defined by a basket of indices and other suitable parameters. Investment risks are gradually reduced with increasing age (lifecycle concept).

On retirement, the credit in the capital account, or at least the total contributions paid, can be paid out in a lump sum, in installments or converted into an annuity. In the event of disability or death, the balance accumulated, or at least capital in the amount of four times the fixed annual remuneration, is paid out.

In the fiscal year ended December 31, 2019, the fixed and variable remuneration of the members of the Executive Board amounted to €1,719 thousand. In addition, pension costs for members of the Executive Board amounted to €264.0 thousand in the fiscal year ended December 31, 2019.

Supervisory Board

General Information

The Supervisory Board currently consists of twelve members, out of which six are elected by the Company's shareholders at the general shareholders' meeting by the required simple majority of the votes cast. The other six members of the Supervisory Board are the employee representatives elected on the basis of the German Co-Determination Act (*Mitbestimmungsgesetz*), by delegates or directly by the employees.

The Supervisory Board members elect one of the members as chairman (*Vorsitzender*) and another one as deputy chairman (*Stellvertreter*) by a two-thirds majority of the votes cast.

Unless the general shareholder's meeting elects the member for a shorter period, the term of a member of the Supervisory Board elected by the shareholders expires at the end of the fifth general shareholders' meeting following the general shareholders' meeting in which the member was elected. If a member of the Supervisory Board on the shareholder side retires, or is removed from office prior to the end of its term of office, the Volkswagen Vermögensverwaltungs-GmbH is entitled to appoint a member to the Supervisory Board. If a member of the Supervisory Board elected by the employees resigns, she or he shall be replaced by a substitute member elected for these cases. The substitute member's term of office expires at the end of the general meeting at which a substitute election was held or at the end of the term of the resigning or removed board member. There is no compulsory retirement age for the members of the Supervisory Board. No former Executive Board members of the Company are currently serving on the Supervisory Board.

Unless otherwise required by applicable law, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. In order to constitute a quorum, at least six members of the Supervisory Board must participate in the voting. In the event of a tie, if no majority is achieved in the re-election, the chairman has two votes.

The Supervisory Board is required to meet at least twice in each half of every calendar year.

Current Members of the Supervisory Board

The following table sets forth the name, age, year of appointment, end of current term and the other principal positions of each of the current members of the Company's Supervisory Board.

Name	Appointed until	Responsibility	Other principal positions
Dr. Ingrun-Ulla Bartölke	2023	Chairwoman	Head of Group Accounting and External Reporting of Volkswagen AG;
			Member of the Supervisory Board of Volkswagen Bank GmbH;
			Member of the Supervisory Board of SEAT S.A.
Michael Behrendt	2023	Member	Chairman of the Supervisory Board of Hapaq-Lloyd Aktiengesellschaft;
			Vice Chairman of the Supervisory Board of Barmenia Krankenversicherung a.G;
			Vice Chairman of the Supervisory Board of Barmenia Allgemeine Versicherungs-Aktiengesellschaft;
			Vice Chairman of the Supervisory Board of Barmenia Versicherungen a.G.;
			Vice Chairman of the Supervisory Board of the Barmenia Lebensversicherungen a.G.;
			Member of the Supervisory Board of ExxonMobil C.E. Holding GmbH;
			Member of the Supervisory Board of MAN Energy Solutions SE;
			Member of the Supervisory Board of MAN SE;
			Member of the Supervisory Board of MAN Truck & Bus SE
Hardy Brennecke	2023	Member	Managing Director of Volkswagen Vermögensverwaltungs-GmbH;
			Secretary General of TRATON SE;
			Head of the Executive Board Office for Commercial Vehicles of Volkswagen Aktiengesellschaft
Joachim Gerhard Drees	2023	Member	Chairman of the Executive Board of MAN SE;
			Chairman of the Executive Board of MAN Truck & Bus SE;
			Member of the Executive Board of TRATON SE;
			Member of the Supervisory Board of MAN Energy Solutions SE;
			Member of the Supervisory Board of MAN Truck & Bus Deutschland GmbH;
			Member of the Supervisory Board of Volkswagen Financial Services AG;
			Member of the Supervisory Board of Rheinmetall MAN Military Vehicles GmbH;
			Member of the Supervisory Board of Sinotruk (Hong Kong) Ltd.

Name	Appointed until	Responsibility	Other principal positions
Thorsten Jablonski	2023	Member	Head of Transmissions & Electric Drive Systems of Volkswagen AG; Chairman of the Supervisory Board of Volkswagen Automatic Transmission (Dalian) Co. Ltd.; Member of the Supervisory Board of Volkswagen Automatic Transmission (Tianjin) Co., Ltd.; Member of the Supervisory Board of Volkswagen Transmission (Shanghai) Company Ltd.
Christiane Hesse	2023	Member	Member of the Executive Board of Volkswagen Financial Services Aktiengesellschaft; Member of the Supervisory Board of MAN Financial Services GmbH; Chairwoman of the Supervisory Board of MAN Financial Services (SA) (RF) (Pyt) Ltd.; Chairwoman of the Supervisory Board of VDF Faktoring A.S.; Chairwoman of the Supervisory Board of VDF Filo Kiralama A.S.; Chairwoman of the Supervisory Board of VDF Servis ve Ticaret A.S.; Chairwoman of the Supervisory Board of VDF Sigorta Aracilik Hizmetleri A.S.; Chairwoman of the Supervisory Board of Volkswagen Dogus Finansman A.S.; Chairwoman of the Supervisory Board of Volkswagen Financial Services South Africa (Pyt) Ltd.; Member of the Supervisory Board of Volkswagen Financial Services Digital Solutions GmbH
Sascha Dudzik	2023	Employee Representative	Vice President of the local and treasurer of IG Metall; Member of the Supervisory Board of WABCO Holding GmbH; Member of the Supervisory Board of KraussMaffei Group GmbH
Lothar Evers	2023	Employee Representative	Chairman of the works council of RENK Aktiengesellschaft, Rheine; Deputy Chairman of the General Works Council of RENK Aktiengesellschaft

Name	Appointed until	Responsibility	Other principal positions
Adela Lieb	2023	Employee Representative	Head of Commercial Administration, Finance & Controlling at RENK Test System GmbH
Klaus Refle	2023	Employee Representative	Chairman of the works council of RENK Aktiengesellschaft, Augsburg; Chairman of the works council of RENK Test System GmbH; Chairman of the general works council of RENK Aktiengesellschaft
Mario Sommer	2023	Employee Representative	Process planner cubic parts production in the vehicle transmission division of RENK AG
Angela Steinecker	2023	Employee Representative	Second Authorized Representative and Managing Director of IG Metall Augsburg; Owner of Kanzlei Steinecker; Member of the Supervisory Board of Fujitsu Technology Solutions GmbH; Member of the Supervisory Board of SWA Energy GmbH; Member of the Supervisory Board of SWA Netze GmbH; Member of the Supervisory Board of SWA Wasser GmbH; Member of the Supervisory Board of Kongress am Park Augsburg

Dr. Ingrun-Ulla Bartölke obtained a degree in business administration from the University of Erlangen-Nuremberg. In addition, she completed an apprenticeship as a bank clerk at Dresdner Bank in Wolfsburg. From 1994 until 2000, she was research assistant and chair of general business economics and management at the University of Rostock and obtained her doctorate in 1999. In 2000, Dr. Bartölke worked for the IAS restructuring project at Volkswagen AG and from 2001 until 2003, she worked in profit- and financial planning at Volkswagen AG. She was technical specialist controlling brand/profit analysis, projects at Volkswagen AG from 2003 until 2006. In 2007, Dr. Bartölke worked in financial reporting at Volkswagen AG and from 2007 until 2009, she was head of financial reporting at Volkswagen AG. Since 2010, she has been head of corporate accounting and external reporting of Volkswagen AG.

Mr. Michael Behrendt obtained a degree in law from the University of Hamburg. From 1984 until 1998, he worked at VTG Vereinigte Transport- und Tanklager GmbH and was its CEO as of 1994. From 1998 until 1999, he was deputy executive chairman at VTG-Lehnkering AG. He was a member of the board of Hapag-Lloyd AG from 1999 until 2001. From 1999 until 2003, Mr. Behrendt was president and chief executive officer of VTG-Lehnkering AG. From 2004 until 2008, he was a member of the board of TUI AG and from 2002 until 2014, he was president and chief executive officer of Hapag-Lloyd AG. Since 2014, Mr. Behrendt has been chairman of the supervisory board of Hapag-Lloyd AG.

Mr. Hardy Brennecke holds a degree in business administration of the University of Göttingen. He also completed an apprenticeship as a bank clerk. From 2000 until 2001, he was international trainee at Volkswagen Financial Services AG, Braunschweig. Afterwards Mr. Brennecke held various leading positions within the Volkswagen Group. From 2001 until 2004, he was controller for group investments/ retail business and from 2004 until 2005, he was head of market research for retail business at Volkswagen Financial Services AG, Braunschweig. In 2008, Mr. Brennecke was head of planning & strategy for retail business and from 2008 until 2012, he was assistant to the executive board, finance & controlling division at Volkswagen AG, Wolfsburg. From 2012 until 2014, he was CFO at Volkswagen Group of America, Herndon. He was CFO at Volkswagen Group Sverige AB, Soedertaelje from 2014 until 2015. Since 2015, Mr. Brenncke has been secretary general at Traton SE and head of the executive office for the commercial vehicles division of Volkswagen AG.

Mr. Joachim Gerhard Drees holds a master degree in business administration from Portland State University and a technical commercial degree from the University of Stuttgart. From 1991 until 1993, he was senior consultant at Price Waterhouse, Stuttgart. Mr. Drees was department head and deputy industry head at Treuhandanstalt Berlin from 1993 to 1995. From 1995 until 1996, he was project manager in the industrial division at Baumgartner & Partner, Sindelfingen. Afterwards he held various management positions at Daimler Chrysler AG. From 1996 until 2000, Mr. Drees was department head (mergers &

acquisitions) and in 2001, he was head of corporate strategy (commercial vehicles division) at DaimlerChrysler AG, Stuttgart. From 2001 until 2004, he was commercial manager and HR manager (transmission division) at DaimlerChrysler AG, Gaggenau and from 2004 until 2006, he was head of commercial vehicle controlling at DaimlerChrysler AG, Stuttgart. Mr. Drees was partner at Hg Capital LLP, London, from 2006 until 2012. From 2012 until 2014, he was CFO at Drees & Sommer AG, Stuttgart. Since 2015, he has been chief executive officer of MAN Truck & Bus AG, Munich, chief executive officer of MAN SE, Munich and member of the board of Traton SE, Munich.

Mr. Thorsten Jablonski holds a degree in mechanical engineering from the TU Braunschweig. From 1994 until 1996, he completed a traineeship at VW AG. From 1996 until 2019, he held various positions at Volkswagen AG, Braunschweig. Mr. Jablonski was head of components development at Volkswagen AG, Wolfsburg from 2010 until 2012. From 2012 until 2016, he was head of the Braunschweig site and of the chassis unit of Volkswagen AG and from 2016 until 2018, he was head of the Kassel site and the transmission unit of Volkswagen AG. Since 2018, Mr. Jablonski has been head of transmission and electric drive systems business area of Volkswagen AG, Wolfsburg.

Ms. Christiane Hesse studied teaching and took the state exams for teaching (secondary education/tertiary education). From 1988 until 1992, she was a research assistant at the Technologieberatungsstelle for Employees in Hanover. From 1992 until 1999, Ms. Hesse was a technical specialist for the works council of Volkswagen Nutzfahrzeuge, Hanover and from 1999 until 2004, she was head of HR planning and projects at Volkswagen Nutzfahrzeuge, Hanover. From 2005 to 2006, she was head of HR at Volkswagen, Poznan. Ms. Hesse was head of HR for the Hanover site of Volkswagen Nutzfahrzeuge from 2006 to 2009. Since 2009, she has been a member of the board of management of Volkswagen Financial Service AG.

Mr. Sascha Dudzik completed an apprenticeship as industrial mechanic at Volkswagen Commercial Vehicles, Hanover, before he graduated from the University of Hamburg with a degree in commercial and labor law. From 2006 until 2007, he completed a trainee program at IG Metall, Frankfurt. He was trade union secretary at IG Metall, Hanover, from 2007 until 2016. From 2016 until 2017, Mr. Dudzik was treasurer at IG Metall, Hanover. Since 2017, he has been second authorized representative and treasurer of IG Metall, Hanover.

Mr. Lothar Evers trained as a cutting machine operator at RENK-Tacke GmbH from 1985 until 1988. From 1988 to 2017, he worked as an industrial machinist at RENK AG, Rheine, before being appointed as deputy chairman of the works council in 2017. In the same year, he became chairman of the works council. Since then, Mr. Evers has been chairman of the works council for RENK AG's Rheine plant and since 2018 he has also been deputy chairman of the general works council of RENK AG.

Ms. Adela Lieb holds a bachelor of science in business administration and commercial degree (*Diplom-Kauffrau*) from the University of Augsburg. From 2002 until 2006, she was an accountant in the accounting and taxation division of Deloitte & Touche GmbH, Augsburg. From 2006 until 2008, Ms. Lieb was a senior accountant in the accounting and taxation division of Deloitte & Touche GmbH, Munich. From 2008 until 2013, she was chief accountant at RENK Test System GmbH, Augsburg and from 2013 until 2016, she was head of accounting & controlling at RENK Test System GmbH, Augsburg. Since 2016, Ms. Lieb has been director of commercial management, finance & controlling at RENK Test System GmbH, Augsburg.

Mr. Klaus Refle completed an apprenticeship as a machine fitter at RENK AG. From 1985 until 2014, he was a CNC operator at RENK AG. From 1998 until 2014, he was a member of the works council of RENK AG, Augsburg. From 2014 until 2018, Mr. Refle was deputy chairman of the works council of RENK AG, Augsburg and RENK Test System GmbH. Since 2018, he has been chairman of the works council of RENK AG, Augsburg and RENK Test System GmbH as well as chairman of the general works council of RENK AG.

Mr. Mario Sommer holds a bachelor degree in production technology engineering from the University of Glauchau. From 2004 until 2013, he was a planning engineer for rotary parts production at MAN Roland, Plauen. Since 2013, he has been process planner for cubic parts production in the vehicle transmission division at RENK AG, Augsburg.

Ms. Angela Steinecker holds a degree in law from the Universities of Augsburg and Munich and is a qualified lawyer. In 2006, she founded the law firm Kanzlei Steinecker and from 2006 until 2007, she also worked for the law firm Pietzsch und Kollegen. From 2007 until 2009, Ms. Steinecker was a freelance employee at the law firm BetterFreeland and from 2009 until 2011, she was a freelance employee at the law firm Braun und Kollegen. From 2013 until 2015, she was a lecturer at Hans Weinberger Akademie and from 2015 until

2019, she was political secretary at IG Metall Augsburg. Since 2019, Ms. Steinecker has been second authorized representative and managing director of IG Metall Augsburg.

Compensation and Share Ownership

The remuneration of the Supervisory Board members consists of a fixed component and the reimbursement for their office related expenses.

The members of the Supervisory Board receive fixed remuneration of €10,000.00 for each full fiscal year of membership of the Supervisory Board. Such remuneration shall be payable after the end of the fiscal year and shall be posted as an expense. The chairman is paid twice the fixed remuneration, and the vice chairman is paid one-and-a-half times the fixed and remuneration.

Additional remuneration is paid to the chair and deputy chair of the Supervisory Board, and to the chair and members of a committee, with the exception of the mediation committee. The chair of the Supervisory Board is granted double the fixed remuneration, the deputy chair and the chair of a committee one and a half times this amount, a committee member 1.25 times the amount. If members perform several functions, remuneration is based on the function with the highest remuneration entitlement.

The total remuneration of the Supervisory Board members amounted to €97,500 in the fiscal year ended December 31, 2019.

The Company has obtained D&O insurance covering, amongst others, the members of the Supervisory Board.

Committees

Under its rules of procedure, the Supervisory Board is required to form an audit committee (the "**Audit Committee**") consisting of four members. It may also form other committees from among its members and authorize such committees to perform specific tasks. The committees' tasks, authorizations and processes are determined by the Supervisory Board. As a general manner, the same rules laid down in the rules of procedure and articles of association relating to the Supervisory Board also apply to the respective committee. Where permissible by law, important powers of the Supervisory Board may also be transferred to the committees.

The Supervisory Board has formed three joint committees, each consisting of two shareholder representatives and two employee representatives: the Audit Committee, the executive personnel committee (the "**Executive Personnel Committee**") and the mediation committee (the "**Mediation Committee**") in accordance with section 27(3) of the German Codetermination Act (*Mitbestimmungsgesetz*). There is also the nomination committee (the "**Nomination Committee**") that consists of two shareholder representatives. The main role of the committees is to prepare the resolutions by the full Supervisory Board. In individual cases, decision-making powers and responsibilities of the Supervisory Board are transferred to the committees.

The Executive Personnel Committee met four times in the fiscal year ended December 31, 2019. In particular, its tasks included preparing resolutions of the Supervisory Board on remuneration of the Executive Board and on the reappointment of Mr. Christian Hammel as a member of the Company's Executive Board.

The Executive Personnel Committee has the following four members: Dr. Ingrun-Ulla Bartölke (Chairwoman), Angela Steinecker, Joachim Drees, Klaus Refle.

The role of the Nomination Committee is to identify candidates for Supervisory Board appointments and to propose to the Supervisory Board suitable candidates for its nominations to the annual general meeting.

The Nomination Committee has the following two members: Dr. Ingrun-Ulla Bartölke, Joachim Drees.

The Mediation Committee performs the duties assigned to it in accordance with section 27(3) of the German Codetermination Act.

The Mediation Committee has the following four members: Dr. Ingrun-Ulla Bartölke (Chairwoman), Angela Steinecker, Joachim Drees and Klaus Refle.

The Audit Committee supports the Supervisory Board in the performance of its duties and regularly reports to it. The Audit Committee primarily monitors the financial reporting process, the effectiveness of the internal control system, the risk management system, Group-wide compliance and, finally, the audit of financial statements. It assesses and monitors the independence of the auditors (also taking into account the additional services provided by the auditors) and the quality of the audit, and determines the areas of emphasis of the audit in consultation with the auditors. The Audit Committee prepares negotiations and resolutions of the Supervisory Board as to its assigned matters, for example, financial reporting, risk management independence of auditors, election of the auditors. The auditor has to participate in the Audit Committee's meetings. In particular, meetings of the Audit Committee are held in connection with the financial statements meeting of the Supervisory Board and the half-yearly report. Further meetings of the Audit Committee are convened as necessary.

The Audit Committee has the following four members: Dr. Ingrun-Ulla Bartölke (Chairwoman), Michael Behrendt (Deputy Chairman), Adela Lieb and Klaus Refle.

Further Information about Members of the Executive Board

During the last five years, no member of the Executive Board has been convicted in relation to fraudulent offenses.

During the last five years, no member of the Executive Board has acted in any capacity at any entity which was subject to any bankruptcies, receiverships or involuntary liquidations.

No official public incrimination and/or sanctions by any statutory or regulatory authority against any member of the Executive Board has occurred. No member of the Executive Board has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct the affairs of any issuer during the past five years.

The Company has not granted any loans to Executive Board members. The members of the Executive Board have not concluded any transactions with the Company that lie outside the Company's normal operating activities.

Other than the exceptions described below, no member of the Executive Board has any conflicts of interest between their duties to the Company and their private or other interests.

No Executive Board member has concluded any service contract with any of the Group's companies that includes special benefits upon the end of the service.

General Shareholders' Meeting

Unless otherwise required by German corporate law, the general shareholders' meeting can be convened at the request of the Executive Board or the Supervisory Board. If the best interests of the Company require it, the Supervisory Board must call a general shareholders' meeting. The ordinary general shareholders' meeting takes place once a year. Each of the Shares of the Company carries one vote at the Company's general shareholders' meeting. There are no restrictions on voting rights of the shares of the Company.

Unless mandatory provisions of the German Stock Corporation Act or the Articles of Association state otherwise, general shareholders' meeting resolutions are passed with a simple majority of the votes cast. In accordance with the German Stock Corporation Act, resolutions of fundamental importance require, in addition to a simple majority of the votes cast, a majority of at least three quarters of the share capital represented in order to pass such a resolution. Such resolutions of fundamental importance include in particular:

- changes in the Articles of Association;
- share capital increases;
- share capital decreases;
- the creation of authorized or contingent capital;
- divisions or split-offs as well as transfers of the entire assets of the Company;
- conclusions of intercompany agreements (in particular, domination agreements and profit and loss transfer agreements);
- changes in the legal form of the Company; and
- liquidation of the Company.

Neither German law nor the Articles of Association restrict the right to own shares or to exercise the associated voting rights for German non-residents or for foreign owners of shares.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies that are, inter alia, members of the same Group as the Company or that are in control of or controlled by the Company must be disclosed unless they are already included as consolidated companies in the Company's audited consolidated financial statements. Control exists if a shareholder owns more than one half of the voting rights in the Company or, by virtue of an agreement, has the power to control the financial and operating policies of the Company's management. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on the Company's financial and operating policies, including close family members and intermediate entities. This includes the members of the Executive Board and Supervisory Board and close members of their families, as well as those entities over which the members of the Executive Board and Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of the voting rights.

Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH) holds 76% of shares of the Company and is therefore a related party of the Company. This also applies to the subsidiaries of Volkswagen Vermögensverwaltungs-GmbH, notably Traton SE, Volkswagen Aktiengesellschaft and Porsche Automobil Holding SE with their respective affiliated companies. As part of its business, the Company has entered into several transactions with related parties. All such transactions are on arm's length terms.

Transactions with companies of Volkswagen Vermögensverwaltungs Group, Traton Group, Volkswagen and the Porsche Group

The following types of transactions are mainly performed with subsidiaries of the Volkswagen Vermögensverwaltungs Group:

- Deliveries of goods to MAN Energy Solutions companies, in particular gear units and bearings for ships and turbines, plus test rigs and related services.
- Sourcing from MAN Energy Solutions companies, mainly primary materials for gear unit production such as cast components and services.

The exchange of goods and services with companies of the Traton Group, Volkswagen and the Porsche Group mainly related to the following transactions:

- Other services and reciprocal services with MAN SE, such as debit and credit interest from intercompany payment transactions and cost reimbursements for other services.
- Deliver of test rigs and related services to companies of the Volkswagen or Porsche Group. The Company purchases services, *e.g.,* in the context of vehicles leases.

In the fiscal year ended December 31, 2019, services rendered to the companies of the Volkswagen Vermögensverwaltungs Group, Volkswagen and the Porsche Group amounted to €25,302 thousand and services received to €7,991 thousand, respectively. As of December 31, 2019, receivables from Vermögensverwaltungs Group, Volkswagen and the Porsche Group amounted to €106,105 thousand, whereas liabilities to the named companies amounted to €4,444 thousand.

MAN SE provided the Target Group with direct and indirect guarantees of €6,284 thousand and derivative hedges with a nominal value of €51,100 thousand as of December 31, 2019. There were receivables of €98,666 thousand from cash management with MAN SE and other MAN companies as of December 31, 2019.

Volkswagen's relationships with the Company include reimbursements for consulting expenses and internal costs incurred by the Company related to preparing the disposal of the equity investment to the Company by the Volkswagen Group.

Further Transactions

Other related parties are the subsidiaries of the Target that are not included in the consolidated financial statements. The exchange of services essentially comprises the supply of parts and the performance of services at market rates. In the fiscal year ended December 31, 2019, services rendered to those subsidiaries amounted to €7,154 thousand and service received to €3,100 thousand. As of December 31, 2019, receivables from the Target Group's subsidiaries amounted to €2,747 thousand and liabilities to the Target Group's subsidiaries to €996.0 thousand.

As of December 31, 2019, receivables from affiliated companies amounted to €8,408 thousand and trade payables to affiliated companies amounted to €1,068 thousand, respectively. There are financial obligations to affiliated companies under operating leases of €18.0 thousand.

There was no exchange of goods or services with the parent company of Volkswagen Vermögensverwaltungs GmbH in the fiscal year ended December 31, 2019.

The members of the Executive Board and Supervisory Board of the Company as well as the members of the management of Volkswagen Vermögensverwaltungs-GmbH and the members of the executive board and supervisory board of Volkswagen AG can influence and be influenced by RENK AG.

The Chairwoman of the Company's Supervisory Board, Dr. Ingrun-Ulla Bartölke, serves as the head of group accounting and external reporting at Volkswagen AG and is a member of the supervisory board of Volkswagen Bank GmbH and SEAT S.A. (Spain). Michael Behrendt, a member of the Company's Supervisory, serves as a member of the supervisory boards of MAN Energy Solutions SE, MAN SE and MAN Truck & Bus SE. Hardy Brennecke, a member of the Company's Supervisory Board, serves as the head of the executive board office for the commercial vehicles division of Volkswagen AG and as the secretary general of TRATON SE. Joachim Drees, a member of the Company's Supervisory Board, serves as chairman of the executive boards of MAN SE and MAN Truck & Bus SE, respectively, as a member of the executive board of Traton SE as well as a member of the supervisory boards of MAN Energy Solutions SE, MAN Truck & Bus Deutschland GmbH, Volkswagen Financial Services AG and Rheinmetall MAN Military Vehicles GmbH. Christiane Hesse, a member of the Company's Supervisory Board, serves as a member of the executive board of Volkswagen Financial Services AG, as a member of the supervisory boards of MAN Financial Services GmbH and Volkswagen Financial Services Digital Solutions GmbH and as chairman of the supervisory board of MAN Financial Services (SA) (RF) (Pty) Ltd., Volkswagen Dogus Finansman A.S. and Volkswagen Financial Services South Africa (Pty) Ltd. Thorsten Jablonski, a member of the Company's Supervisory Board, is the head of transmissions and electric drive for Volkswagen AG and serves as a member of the supervisory boards of Volkswagen Automatic Transmission (Dalian) Co., Ltd. (China), Volkswagen Automatic Transmission (Tianjin) Co., Ltd. and Volkswagen Transmission (Shanghai) Company Ltd. Adela Lieb, a member of the Company's Supervisory Board, serves as the general manager for commercial administration, finance and controlling at RENK Test System GmbH.

CEO Florian Hofbauer serves as a member of the supervisory boards of Modest Tree Inc., Canada (Canada), RENK Holding Canada Inc. (Canada), Horstman Defence Systems Ltd (UK), Horstman Holdings Ltd. (UK) and RENK Shanghai Service and Commercial Co., Ltd. (China). CFO Christian Hammel serves as a member of the supervisory boards of RENK Gears Private Ltd. (India) and RENK Korea Co., Ltd. (Korea).

Sponsor Agreements

The Group may enter into customary monitoring fee arrangements or other fee arrangements with Triton or its affiliates after the consummation of the Acquisition, in each case as otherwise permitted by the Indenture.

Shareholder Loan I

The Issuer has entered into a (long-term) shareholder loan agreement with Triton V Luxco 31 S.à r.l. as lender and the Issuer as borrower, pursuant to which the lender will lend and the Issuer will borrow a portion of the Equity Contribution in an amount of €46.0 million in connection with the Transactions. The receivables under the subordinated shareholder loan will be part of the Collateral.

The subordinated shareholder loan matures on the day falling one year after the Final Discharge Date (as such term is defined in the Intercreditor Agreement) and will be subordinated to the Notes and the Super Senior Facilities under the Intercreditor Agreement. No cash payments are required to service the shareholder loan prior to the maturity of the Notes.

Shareholder Loan II

The Issuer has entered into a (short-term) shareholder loan agreement with Triton V Luxco 31 S.à r.l. as lender and the Issuer as borrower, pursuant to which the lender will lend and the Issuer will borrow a bridge loan in an amount of €40.0 million until such time as the Issuer receives an upstream loan from

RENK AG following the occurrence of the Control Date. The receivables under the subordinated shareholder loan will form part of the Collateral.

The subordinated shareholder loan matures two years after funding of the shareholder loan. The shareholder loan (together with accrued but unpaid interest) shall be prepaid by the Issuer within three days of receipt of funds under the upstream loan from RENK AG. No cash payments are required to be made under the shareholder loan.

The Issuer expects to repay the Shareholder Loan II by way of a dividend to the Sponsor in 2021 in an expected amount of €40 million. See "*Capitalization.*"

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of the material terms of certain financing arrangements to which the Issuer and certain of its subsidiaries are party as of the Issue Date, does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. For further information regarding our existing indebtedness and these financing arrangements, see "Use of Proceeds," "Capitalization," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Super Senior Facilities Agreement

Overview and structure

In connection with the Transactions, the Issuer will enter into a €217.5 million "super senior" Super Senior Facilities Agreement on or prior to the Issue Date of the Notes ("**Super Senior Facilities Agreement**," and the Cash RCF Facility thereunder shall be referred to as the "**Cash RCF Facility**" and the L/G RCF Facility thereunder shall be referred to as the "**L/G RCF Facility**," and the Cash RCF Facility and the L/G RCF Facility shall jointly be referred to as the "**Super Senior Facilities**") with, among others, Commerzbank Aktiengesellschaft, Credit Suisse (Switzerland) Ltd., Deutsche Bank AG, London Branch, Goldman Sachs International and UniCredit Bank AG, as mandated lead arrangers (together the "**Mandated Lead Arrangers**") and Commerzbank Aktiengesellschaft, Credit Suisse (Switzerland) Ltd., Deutsche Bank AG, London Branch (in respect of the Cash RCF Facility) and Deutsche Bank AG Filiale Deutschlandgeschäft (in respect of the L/G RCF Facility), Goldman Sachs International Bank and UniCredit Bank AG as original lenders (together the "**Original Lenders**"), Deutsche Bank AG, London Branch as agent (the "**Agent**") and as security agent (the "**Security Agent**").

The Target has the option to accede to the Super Senior Facilities Agreement on the Acquisition Closing Date in its capacity as a borrower under the Super Senior Facilities only.

The Super Senior Facilities Agreement will provide for borrowings under the Cash RCF Facility of up to an aggregate initial principal amount of €50.0 million and guarantees under the L/G RCF Facility of up to an aggregate principal amount of €167.5 million on a committed basis. In addition, the Super Senior Facilities Agreement will permit the incurrence of "additional revolving facilities" and "additional guarantee facilities" (see "*Description of Certain Financing Arrangements—Additional facilities*").

The Cash RCF Facility may be utilized by any current or future borrower (subject to certain exceptions) under the Cash RCF Facility in euro or certain other currencies by the drawing of cash advances and by way of ancillary facilities; and the L/G RCF Facility may be utilized by any current or future borrower (subject to certain exceptions) under the L/G RCF Facility in euro or certain other currencies by way of ancillary facilities.

Subject to certain exceptions, loans and guarantees may be borrowed, repaid and re-borrowed at any time.

Borrowings under the Cash RCF Facility will be available to be used to (directly or indirectly) finance or refinance the general corporate purposes and/or working capital requirements of the Issuer and its restricted subsidiaries (the "**Restricted Group**") including, without limitation, to refinance and/or repay existing revolving credit and receivables financing arrangements of the Restricted Group (including factoring, securitization and other similar receivables financings) and the financing and/or refinancing of (i) capital expenditure and related costs and expenses, (ii) acquisitions (excluding any acquisition of Target shares (including, but not limited to, pursuant to the Acquisition)), investments, joint ventures and related costs and expenses, (iii) operational restructurings and reorganizations of the Restricted Group and related costs and expenses, (iv) payments (including to be made to vendors) in respect of working capital related adjustments (howsoever structured) relating to or in connection with any acquisition (including the Acquisition), (v) payment of any refundable VAT on any fees, costs or expenses related to or incurred or charged in connection with the finance documents for the Notes, Super Senior Facilities and any other document designated as a "Transaction Document" under the Super Senior Facilities Agreement by the Agent and the Issuer or any acquisition (including the Acquisition) and any original issue discount, fees, flex and/or other related financing costs, (vi) interest payments due in respect of the Notes and any other indebtedness and/or (vii) otherwise in a manner consistent with the structure memorandum.

Amounts utilized under the L/G RCF Facility shall be applied by the Issuer and its Restricted Group towards (i) refinancing existing letters of credit and performance bonds of the types listed under sub-paragraph (ii) entered into, used and/or needed by the Target Group and (ii) in the ordinary course of business of the Restricted Group, including but not limited to operational business requirements of the

Restricted Group such as warranty obligations, performance obligations, advance payment obligations, tender obligations, rental obligations, customs obligations and similar letters of credit to guarantee obligations of the Restricted Group in the ordinary course of business including, for the avoidance of doubt, (y) back to back guarantees (issued to, *inter alios*, financial institutions) for outstanding obligations under such instruments and (z) any existing guarantees which are rolled in, but excluding in each case any letter of credit or similar instrument which constitutes a credit guarantee or similar credit security instrument securing financial obligations.

The Issuer will be the "original borrower" and the "original guarantor" under the Super Senior Facilities.

Interest Rate and Fees

Interest rates

The interest rate on cash advances under the Cash RCF Facility will be the rate per annum equal to the aggregate of the applicable margin and EURIBOR (as such term is defined in the Super Senior Facilities Agreement) in relation to cash advances in euro and in relation to cash advances in any other currency, LIBOR (as such term is defined in the Super Senior Facilities Agreement) (each with a zero floor). Following the date that is the end of the second fiscal quarter date after the Acquisition Closing Date and provided that no Material Event of Default or Compliance Certificate Event of Default (as each such term is defined in the Super Senior Facilities Agreement) has occurred and is continuing, the margin on the Cash RCF Facility will be subject to reduction if certain "senior secured net leverage ratios" (which are to be calculated in the same way as the "Consolidated Senior Secured Net Leverage Ratio" under and as defined in the Indenture for the Notes (see "*Description of the Notes—Certain Definitions*") are met.

Commitment fees

A commitment fee will be payable on the aggregate undrawn and uncancelled amount of the Cash RCF Facility from (and including) the Acquisition Closing Date to (and including) the last day of the availability period for the Cash RCF Facility at a rate of the applicable percentage of the then applicable margin for the Cash RCF Facility. The commitment fee will be payable quarterly in arrears, on the last day of the availability period of the Cash RCF Facility and on the date the Cash RCF Facility is cancelled in full or on the date on which a lender cancels its commitment.

A commitment fee will be payable on the aggregate undrawn and uncancelled amount of the L/G RCF Facility from (and including) the Acquisition Closing Date to (and including) the last day of the availability period for the L/G RCF Facility computed at a rate set out in the relevant ancillary facility but in any event not exceeding a rate of the applicable percentage of the applicable guarantee fee for the L/G RCF Facility. The commitment fee will be payable quarterly in arrears, on the last day of the availability period of the L/G RCF Facility and on the date the L/G RCF Facility is cancelled in full or on the date on which a lender cancels its commitment.

The guarantee fee for letters of credit or guarantees issued under the L/G RCF Facility will be agreed with each ancillary lender under the L/G RCF Facility on a bilateral basis. If letters of credit are cash collateralized and continue to be provided, the guarantee fee shall be as agreed between the Issuer and the relevant lender. The Company or the relevant Borrower shall also pay (or procure that there is paid) to the relevant Ancillary Lender under an Ancillary Facility under the Guarantee Facility (for its own account) an issuance/administration fee in the amount and at the times specified in the relevant Ancillary Document.

In relation to any additional Cash RCF Facility and/or additional L/G RCF Facility (the "**Additional Facility**"), the Company shall pay (or shall procure that another Obligor shall pay) to the Agent (for the account of each relevant Additional Facility Lender (as defined in the Super Senior Facilities Agreement)) a commitment fee (if any) in the amounts, and at the times, specified in any relevant Additional Facility Notice (as defined in the Super Senior Facilities Agreement).

No commitment fee shall be payable unless the Acquisition Closing Date occurs.

Default interest will be calculated as an additional 1% on the overdue amount.

Other fees

The Issuer is also required to pay customary agency fees to the Agent and the Security Agent in connection with the Super Senior Facilities.

Availability

Each Facility may, subject to satisfaction of customary conditions precedent, be utilized from the Acquisition Closing Date until the date falling one month prior to the maturity date of the relevant Facility.

Maturity and Repayment Requirements

Each Facility matures on the date falling 4 years and six months after the Issue Date.

Each advance under the Cash RCF Facility will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date.

All outstanding amounts under a Facility must be repaid in full on or prior to the maturity date for the relevant Facility.

Amounts repaid by the borrowers on loans made under the Cash RCF Facility may be re-borrowed during the availability period for that facility, subject to certain conditions.

Prepayment

The Super Senior Facilities Agreement allows for voluntary prepayments (subject to a minimum amount and notice requirements).

The Super Senior Facilities Agreement also permits each lender to require the mandatory prepayment of all amounts due to that lender upon:

- a "change of control" (which comprises, generally, (i) Holdco ceasing to directly own 100% of the total issued share capital or all of the voting rights of the Issuer and (ii) the scenarios set out under the definition of "Change of Control" under the caption "*Description of the Notes—Certain Definitions*"); or
- if it becomes unlawful for the lender to perform any of its obligations (as applicable) under the Super Senior Facilities or to fund, issue or maintain its participation in any Utilization (as defined in the Super Senior Facilities Agreement).

Notwithstanding the foregoing, any ancillary lender may, as between itself and the relevant member of the Restricted Group, agree to continue to provide such ancillary facility (with such arrangements continuing on a bilateral basis and not as part of, or under, the finance documents for any Facility and the transaction security for such Facility shall not, following release by the Security Agent, secure any such ancillary facility in respect of any claims that arise after such cancellation).

To the extent that the commitments of a lender under the Cash RCF Facility are voluntarily cancelled by the Issuer in full which the Company is entitled to do by giving 5 Business Days' prior written notice to the Agent of such cancellation, such lender under the Cash RCF Facility shall have the right to cancel its commitments under the L/G RCF Facility in full within 30 days of its commitments under the Cash RCF Facility being cancelled in full, by giving not less than 5 Business Days' prior notice to the Issuer and the Agent, provided that the Issuer shall have 30 days after the relevant lender giving notice of such cancellation of the commitments under the L/G RCF Facility to the Issuer and the Agent, to cash-collateralize, replace or provide counter-guarantees for any guarantees or letters of credit then outstanding under the relevant ancillary facility provided under the L/G RCF Facility. This shall not apply to the extent that the commitments of all lenders under the Cash RCF Facility are reduced prior to the Acquisition Closing Date on a *pro rata* basis.

Additional Facilities

The Super Senior Facilities Agreement contemplates the incurrence of uncommitted "additional revolving facilities" and "additional guarantee facilities" in a maximum amount not to exceed the aggregate sum of:

- in respect of the Cash RCF Facility (i) the greater of (x) €70.0 million and (y) an amount equal to 81% of consolidated earnings before interest, tax, depreciation and amortization plus certain adjustments, similar to those in Consolidated EBITDA as set out in "*Description of the Notes*," of the Restricted Group, on a *pro forma* basis for the most recently ended four full fiscal quarters for which internal consolidated financial statements are available prior to such incurrence (after giving *pro forma* effect to the relevant transactions) *less* (ii) the total Cash RCF Facility commitment immediately before giving effect to the amount of the additional revolving facility; and

- in respect of the L/G RCF Facility (i) the greater of (x) €175.0 million and (y) an amount equal to 201% of consolidated earnings before interest, tax, depreciation and amortization plus certain adjustments, similar to those in Consolidated EBITDA as set out in "*Description of the Notes*," of the Restricted Group, on a *pro forma* basis for the most recently ended four full fiscal quarters for which internal consolidated financial statements are available prior to such incurrence (after giving *pro forma* effect to the relevant transactions) *less* (ii) the total L/G RCF Facility commitment immediately before giving effect to the amount of the additional L/G RCF Facility,

Such additional revolving facilities and guarantee facilities may be incurred under the Super Senior Facilities Agreement either as a new Cash RCF Facility, a new L/G RCF Facility and/or as an additional tranche of any existing Cash RCF facility and/or L/G RCF Facility and/or by increasing the commitments under an existing Cash RCF Facility or an existing L/G RCF Facility. Such additional revolving facilities and/or guarantee facilities will be secured and shall rank *pari passu* with the Super Senior Facilities and be prepaid on a *pro rata* basis (including with respect to mandatory prepayments). The lenders of any such additional revolving facilities and/or guarantee facilities may not have the benefit of guarantees from any member of the Restricted Group which is not a borrower or guarantor of the Super Senior Facilities or security over assets other than the then existing transaction security for the Super Senior Facilities (except where the same security (to the extent permitted by law) is granted in respect of the other facilities under the Super Senior Facilities).

The availability, maturity, pricing and other terms of any Additional Facility will be those agreed between the Issuer and the relevant lenders of that Additional Facility, provided that (i) (in relation to an additional revolving facility) the final maturity date of the additional revolving facility is no earlier than the Termination Date applicable to the Cash RCF Facility (or, in each case, if at such time the Revolving Facility has been cancelled in full or would be repaid and cancelled in full after giving effect to the application of the proceeds of the relevant Additional Facility, any final maturity date under the Super Senior Facilities Agreement); and (in relation to an additional guarantee facility) the final maturity date of the additional guarantee facility is no earlier than the Termination Date applicable to the L/G RCF Facility (or, in each case, if at such time the L/G RCF Facility has been cancelled in full or would be repaid and cancelled in full after giving effect to the application of the proceeds of the relevant Additional Facility, any final maturity date under the Super Senior Facilities Agreement), (ii) no "material event of default" has occurred and is continuing at the time the relevant Additional Facility is committed (unless the proceeds of the relevant Additional Facility are used to refinance existing additional revolving facilities or guarantee facilities) and (iii) no member of the Restricted Group may provide an Additional Facility.

Guarantees

The Super Senior Facilities will be guaranteed, as of the date of execution of the Super Senior Facilities Agreement, by the Issuer.

The Target shall have the right but not the obligation to accede to the Super Senior Facilities Agreement as a Borrower only on the Acquisition Closing Date (the "**Day One Accession**").

To the extent the Day One Accession is concluded, the Target will, within 30 days of the Acquisition Closing Date, provide guarantees and grant security over such of its assets and the Target will, within 120 days after (and excluding) the Acquisition Closing Date, become a guarantor under the Super Senior Facilities Agreement. Any guarantees and security provided by the Target as a result of the Day One Accession will not benefit the Noteholders, prior to the Control Date.

The Super Senior Facilities Agreement requires that, subject to certain "agreed security principles" set out in the Super Senior Facilities Agreement, each member of the Restricted Group that is, or becomes, a "material company" (which is generally defined under the Super Senior Facilities Agreement to include, among other things, certain members of the Restricted Group that have earnings before interest, tax, depreciation and amortization representing more than 5% or more of the consolidated earnings before interest, tax, depreciation and amortization of the Restricted Group, and certain members of the Restricted Group that are a direct holding company of a "material company") after the Acquisition Closing Date by reference to the annual consolidated financial statements (the "**Annual Financial Statements**") most recently delivered to the Agent, or, at the discretion of the Company, a more recent set of financial statements of the Restricted Group or the Target Group for an LTM Period; and/or if a

Subsidiary has been acquired since the date as at which the latest Annual Financial Statements of the Restricted Group were prepared, the latest annual financial statements of the relevant Subsidiary for the relevant financial year (consolidated in the case of a Subsidiary which itself has Subsidiaries), or, if such financial statements are not available or required by law, such other accounts as are available (commencing with the first complete fiscal year ending after the Acquisition Closing Date) will be required to become a guarantor under the Super Senior Facilities Agreement within 120 days of the date of delivery of the relevant annual consolidated or combined, as applicable, financial statements of the Issuer for the relevant fiscal year.

Furthermore, if on the last day of each financial year of the Issuer (commencing with the first complete financial year after the Acquisition Closing Date), the guarantors represent less than 80% of the consolidated earnings before interest, tax, depreciation and amortization of the members of the Restricted Group (subject to certain exceptions) (the "**Guarantor Coverage Test**"), within 120 days of delivery of the annual financial statements for the relevant financial year (commencing with the first complete financial year after the Acquisition Closing Date), such other members of the Restricted Group (subject to the agreed security principles and certain other exceptions) are required to become guarantors until the Guarantor Coverage Test is satisfied (to be calculated as if such additional guarantors had been guarantors on the last day of the relevant financial year). Members of the Restricted Group may be excluded from such calculation if (i) they are not incorporated in a "covered jurisdiction" (as defined in the Super Senior Facilities Agreement) or (ii) there is a restriction applicable to it in relation to becoming a guarantor.

The Issuer or to the extent the Day One Accession has occurred, the Company shall also ensure that the Guarantor Coverage Test is satisfied by the date which is 120 days after (and excluding) the Acquisition Closing Date (or such later date as the Agent may agree in its reasonable discretion).

Security

It is expected that from and after the Acquisition Closing Date, the Super Senior Facilities (subject to the agreed security principles set out in the Super Senior Facilities Agreement) will be initially secured by security interests granted over the same property and assets which secure the Notes (excluding, for the avoidance of doubt, the Escrow Charge), as further described under "*Description of the Notes—Security*." The Issuer will enter into a stock pledge in relation to the shares in the Target as a condition precedent to funding under the Super Senior Facilities Agreement.

To the extent the Day One Accession is concluded, the Target will, within 30 days of the Acquisition Closing Date, provide guarantees and grant security over such of its assets. Within 120 days of the Acquisition Closing Date, certain subsidiaries of the Target will provide guarantees and grant the relevant security. Any guarantees and security provided by the Target as a result of the Day One Accession or by the applicable subsidiaries within 120 days of the Acquisition Closing Date will, prior to the Control Date, only benefit the Original Lenders and the Security Agent and the other Finance Parties (as that term is defined in the Super Senior Facilities Agreement) and will not benefit the Noteholders.

Each holding company of any "material company" (*provided* that such holding company is a member of the Restricted Group in each case with certain members of the Restricted Group being excluded, which becomes a guarantor under any Facility is required (subject to the "agreed security principles") to grant security over the shares it holds in such material company in favor of the Security Agent. In addition, any "material company" or other member of the Restricted Group which becomes a guarantor of the Super Senior Facilities is required (subject to the agreed security principles) to grant security over certain of its material assets in favour of the Security Agent.

Under the terms of the Intercreditor Agreement, proceeds from the enforcement of the collateral (whether or not shared with the holders of the Notes) will be required to be applied to repay indebtedness outstanding under the Super Senior Facilities, as well as certain hedging obligations, in priority to the Notes.

Representations and Warranties

The Super Senior Facilities Agreement contains certain customary representations and warranties (subject to certain customary materiality, actual knowledge and other qualifications, exceptions and baskets, and with certain representations and warranties being repeated), including without limitation: (i) status; (ii) binding obligations; (iii) non-conflict with other obligations; (iv) power and authority; (v) validity and admissibility in evidence; (vi) consents and filings; (vii) governing law and enforcement; (viii) no insolvency; (ix) no proceedings pending or threatened; (x) no filing or stamp taxes; (xi) no events of default; (xii) taxation; (xiii) deduction of tax; (xiv) consents and filing; (xv) no filing and stamp taxes); (xvi) *pari passu* ranking; (xvii) legal and beneficial ownership; (xviii) financial model; (xix) group structure; (xx) centre of main interest; (xxi) anti-money laundering, anti-terrorism laws and sanctions; (xxii) no breach of laws; (xxiii) good title to assets; (xxiv) financial statements and (xxv) acquisition documents.

Covenants

The Super Senior Facilities Agreement contains certain of the same incurrence covenants and related definitions (with certain adjustments) that will apply to the Notes as included under the caption "*Description of the Notes—Certain Covenants*."

In addition, the Super Senior Facilities Agreement also contains certain affirmative and negative covenants, and the Super Senior Facilities Agreement also contains a financial covenant for the benefit of lenders under the Cash RCF Facility only. Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

Affirmative Covenants

The affirmative covenants include, among others: (i) providing certain financial information in respect of the Restricted Group, including annual audited, half-yearly and quarterly financial statements and compliance certificates; (ii) authorizations, (iii) compliance with laws; (iv) payment of taxes; (v) maintenance of *pari passu* ranking of the Super Senior Facilities; (vi) access for the agent; (vii) compliance with environmental permits and laws; (viii) maintenance of the Guarantor Coverage Test and (ix) further assurance provisions; (x) conforming amendments to the Indenture; and (xi) compliance with sanctions and anti-corruption laws.

Negative Covenants

The negative covenants include restrictions, among others, with respect to (i) activity by the Issuer other than holding company activity; (ii) changing the center of main interest of a borrower or guarantor under any Facility; and (iii) Notes purchases. Otherwise, the negative covenants in the Super Senior Facilities are substantially the same as the negative covenants that will be in the Indenture.

Certain of the incurrence covenants under the Super Senior Facilities Agreement may be suspended upon (i) the occurrence of a "Listing" (as defined in the Super Senior Facilities Agreement)" (that does not result in a "change of control") and the achievement of a "consolidated net leverage ratio" of the Restricted Group is equal to or less than 2.00:1.00 (generally, *pro forma* for any prepayment of the Cash RCF Facility from the proceeds of such initial public offering) or (ii) a member of the Restricted Group or a holding company of the Issuer having achieved an investment grade status (Baa3/BBB- or better by Moody's or S&P, respectively).

The Super Senior Facilities Agreement also contain a "notes purchase condition" covenant, which provides, subject to certain exceptions set out in the Super Senior Facilities Agreement, that the Issuer may not, and shall procure that no other member of the Restricted Group will, prepay, purchase, redeem, retire or otherwise acquire for value any of the principal amount of the Notes prior to the scheduled repayment date. The exceptions to such covenant include, *inter alia* (and provided that no event of default under any Super Senior Facility is continuing or would result from such note purchase): (i) notes purchases funded with, *inter alia*, certain permitted indebtedness under the Facilities Agreement (other than the Cash RCF Facility); (ii) note purchases that do not exceed 50% of the aggregate face value of the Notes in existence at the Acquisition Closing Date or incurred afterwards (and any permitted refinancing thereof); or (iii) the Super Senior Facilities (including any additional facilities) are cancelled (and if applicable prepaid) in the same or greater proportion as the proportion of the note purchase to the aggregate face value of the Notes then outstanding, provided that (I) the revolving facility commitments shall in no circumstances be required to be reduced below an amount equal to 60% of the total revolving facility commitments outstanding at that time; and (II) the guarantee facility commitments shall in no circumstances be required to be reduced below 80% of the total guarantee facility commitments outstanding at that time.

Financial Covenant

The Super Senior Facilities Agreement requires the Issuer to comply with a consolidated "senior secured net leverage" financial covenant for the benefit of the lenders under the Cash RCF Facility and any additional revolving facility which benefits from the financial covenant. The financial covenant will be tested quarterly on a rolling basis, generally, subject to (i) the first test date falling on the date that is the end of the third fiscal quarter date after the Acquisition Closing Date and (ii) the Test Condition being met on the relevant test date, such condition being (I) the aggregate of all outstanding loans under the Cash RCF Facility and any springing covenant revolving facility and all outstanding cash drawings and any letters of credit or guarantees which have been called and which remain outstanding under Ancillary Facilities (as defined in the Super Senior Facilities Agreement) under the Cash RCF Facility or any springing covenant revolving facility less cash and cash equivalents held by members of the Restricted Group, which exceeds (II) 40% of the aggregate of Cash RCF Facility commitments as at the date of the Super Senior Facilities Agreement and additional revolving facilities established following the date of the Super Senior Facilities Agreement.

The Issuer is permitted to prevent or cure breaches of the financial covenant by applying a "cure" amount (generally, amounts received by the Issuer in cash pursuant to any new equity or permitted shareholder subordinated debt), including as if "consolidated earnings before interest, tax, depreciation and amortization" had been reduced by such amount. There is no requirement to apply any such cure amount in prepayment of the Super Senior Facilities. No more than four different cure amounts may be taken into account prior to the original termination date of the Super Senior Facilities Agreement and more than two cure amounts in any four consecutive financial quarters are not permitted.

Events of Default

The Super Senior Facilities Agreement provides for some of the same events of default, with certain adjustments, as those applicable for the Notes as set forth in the section entitled "*Description of the Notes—Events of Default*." In addition, the Super Senior Facilities provides for certain customary events of default, all of which are subject to customary materiality and other qualifications, exceptions, baskets and/or grace periods, as appropriate, comprising without limitation: (i) for the benefit of lenders under the Cash RCF Facility only, breach of the financial covenant subject to possibilities to cure the financial covenant breach; (ii) breach of other obligations subject to a 20 business day grace period; (iii) representations or warranties found to be untrue or misleading when made or deemed repeated subject to a 20 business day grace period; (iv) material litigation, arbitration or administrative, governmental, regulatory or other proceedings in relation to the finance documents or against any member of the Restricted Group or its material assets; (v) cross default subject to thresholds; (vi) unlawfulness and invalidity subject to a 20 business day grace period; (vii) failure to comply with a material term of the Intercreditor Agreement by a member of the Restricted Group or any affiliate of the Issuer which is not a member of the Restricted Group subject to a 20 business day grace period; (viii) repudiation and rescission of the finance documents and (ix) cessation of business.

Governing Law

The Super Senior Facilities Agreement will be governed by English law, *provided that* the events of default, incurrence covenants and related definitions for the Notes to be included (with certain adjustments) in the Super Senior Facilities Agreement will be interpreted in accordance with the law of the State of New York.

Intercreditor Agreement

To establish the relative rights of certain of our creditors under certain of our financing arrangements, the Issuer, LuxCo and HoldCo will be parties to an intercreditor agreement (the "**Intercreditor Agreement**") to be entered into on or about the Issue Date, together with the Agent, the Original Lenders and the Mandated Lead Arrangers, as well as the Trustee for the holders of the Notes (the "**Trustee**") and the Security Agent.

By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and shall be deemed to have authorized the Trustee to enter into the Intercreditor Agreement on its behalf as Trustee.

The following description is a summary of certain provisions, among others, that will be contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Notes. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the description that follows, defines certain rights of the holders of the Notes.

Unless expressly stated otherwise in the Intercreditor Agreement, in the event of a conflict between the terms of the Super Senior Facilities Agreement, the Indenture and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail.

Overview

The Intercreditor Agreement sets out, among other things:

- the relative ranking of certain debt of the Restricted Group in respect of "**Credit Facility Liabilities**," "**Future Pari Passu Liabilities**," "**Future Senior Subordinated Liabilities**," "**Cash Management Liabilities**," "**Non-Priority Hedging Liabilities**," "**Priority Hedging Liabilities**" and "**Senior Secured Notes Liabilities**" (each as defined below);
- the relative ranking of certain security granted by certain members of the Restricted Group and by Third Party Security Providers for the benefit of certain creditors under certain of our financing arrangements;
- when payments can be made in respect of certain indebtedness of the Restricted Group;
- when enforcement action (including acceleration and/or demand for payment and certain similar actions) ("**Enforcement Action**") can be taken in respect of the "**Transaction Security**" (as defined below);
- the requirement to turnover amounts received from enforcement of the Transaction Security and certain guarantees provided by certain members of the Restricted Group and by Third Party Security Providers;
- when the Transaction Security and guarantee(s) issued by certain members of the Restricted Group and by Third Party Security Providers will be released to permit an enforcement sale;
- the circumstances under which creditors' claims (including the claims of holders of the Notes against the Issuer) might be required to be transferred to third parties or released to assist in enforcement; and
- the order for applying proceeds from the enforcement of the Transaction Security, certain guarantees and other amounts received by the Security Agent.

Incurrence of Additional Indebtedness

The Intercreditor Agreement will contain customary provisions regulating certain additional indebtedness permitted to be incurred by members of the Restricted Group and which is contemplated to be secured by the documents creating security (including the Collateral) (the "**Transaction Security**") granted by certain members of the Restricted Group and by Third Party Security Providers (together, the "**Transaction Security Documents**").

Such additional indebtedness may either, with respect to the Transaction Security (and the proceeds thereof): (i) be in the form of loans, credit or debt facilities or notes (among other things) and have equivalent rights to the rights of the holders of the Notes under the Intercreditor Agreement, in which case it will vote in, and share in the proceeds of, enforcement of the Transaction Security with the same class of creditors as the holders of Notes (such indebtedness, "**Future Pari Passu Debt**" and, the holders of such indebtedness, "**Future Pari Passu Creditors**"); (ii) be in the form of a "credit facility" ranking senior to the liabilities in respect of the Notes with respect to the proceeds of enforcement of the Transaction Security, in which case it will vote in, and share in the proceeds of, enforcement of Transaction Security with the lenders under the Super Senior Facilities and any "**Super Senior Hedging Agreements**" (as defined below) (such additional credit facilities, solely for the purposes of this description of the Intercreditor Agreement, the "**Credit Facilities**" and, the lenders of such indebtedness, the "**Additional Credit Facility Lenders**"); or (iii) to the extent that it benefits from Transaction Security, be in the form of loans, credit or debt facilities or notes (among other things) and rank junior to the liabilities in respect of the Notes, in which case it will share in the proceeds of enforcement of the Transaction Security expressed to secure it on a junior basis to the holders of the Notes (such indebtedness, "**Future Senior Subordinated Debt**," and the lenders or holders of such indebtedness, the "**Future Senior Subordinated Creditors**").

Hedging Transactions

The Intercreditor Agreement will contain provisions that will permit certain members of the Restricted Group to enter into hedging agreements with certain hedge counterparties, which may also be secured by the Transaction Security.

The hedging agreements may either, with respect to the Transaction Security (and the proceeds thereof): (i) be secured on a senior basis to the liabilities in respect of the Notes with respect to the proceeds of enforcement of the Transaction Security, in which case it will vote in, and share in the proceeds of, enforcement of the Transaction Security with the lenders and creditors under the Super Senior Facilities (such hedging agreements, the "**Super Senior Hedging Agreements**," and, the hedge counterparties in respect thereof, the "**Priority Hedge Counterparties**"); or (ii) have equivalent rights to the rights of the holders of the Notes under the Intercreditor Agreement, in which case it will vote in, and share in the proceeds of, enforcement of the Transaction Security with the same class of creditors as the holders of Notes and the holders of any Future Pari Passu Debt (such hedging agreements, the "**Pari Passu Hedging Agreements**," and, the hedge counterparties in respect thereof, the "**Non-Priority Hedge Counterparties**" and, together with the Priority Hedge Counterparties, the "**Hedge Counterparties**").

Intra-Group Debt and Shareholder Debt

None of the Issuer, any of its restricted subsidiaries or any shareholder of a member of the Restricted Group which is not otherwise party to (1) a document creating security in favor of any of the "**Super Senior Creditors**" (as defined below), "**Senior Secured Creditors**" (as defined below) or the Future Senior Subordinated Creditors or (2) the debt documents thereby secured, will be party to the Intercreditor Agreement save for: (i) any shareholder of the Issuer (or affiliate of the Issuer which is not a member of the Restricted Group) in respect of any existing or future loan made to the Issuer or any of its restricted subsidiaries (each a "**Shareholder Creditor**," and each such loan, the "**Shareholder Liabilities**"); and (ii) certain members of the Restricted Group that lend (each an "**Intra-Group Lender**") to other members of the Restricted Group and each debtor under such loan or any other entity which accedes or otherwise becomes a party to the Intercreditor Agreement as a debtor and/or creditor, that will accede to the Intercreditor Agreement with respect to the loans or indebtedness owing from such member of the Restricted Group to such other member of the Restricted Group in respect of intra-group loans which are in an aggregate amount of €10.0 million or more and which are or will be outstanding for more than 12 months (the "**Intra-Group Liabilities**") (each an "**Obligor**" and, together, the "**Obligors**").

The Intercreditor Agreement will contain subordination provisions relating to any Intra-Group Liabilities as well as the Shareholder Liabilities. However, Obligors will not be prohibited from making payments in respect of any Intra-Group Liabilities until an "acceleration event" has occurred and is continuing under any of the Super Senior Facilities Agreement, the Indenture, any Credit Facility, any Future Pari Passu Debt or any Future Senior Subordinated Debt.

Security Agent

There will be a single security agent appointed to act at all times on behalf of (i) the lenders under the Super Senior Facilities and any Additional Credit Facility Lender (together, the "**Super Senior Lenders**"), any Priority Hedge Counterparties, any Cash Management Provider (as defined in the Intercreditor Agreement) and any Additional Credit Facility Lenders (together, the "**Super Senior Creditors**"), (ii) the holders of the Notes, any Non-Priority Hedge Counterparties and any Future Pari Passu Creditors (collectively, the "**Senior Secured Creditors**") and (iii) any Future Senior Subordinated Creditors (and together with the Super Senior Creditors and the Senior Secured Creditors, the "**Primary Creditors**").

Ranking and Priority

Priority of Indebtedness

The Intercreditor Agreement will provide that the liabilities of the Obligors, as the case may be, in respect of the Super Senior Facilities (the "**Credit Facility Liabilities**") the Notes and any additional notes issued from time to time under the Indenture (together, the "**Senior Secured Notes**," and the liabilities in respect thereof, the "Senior Secured Notes Liabilities"), the Future Pari Passu Debt (the "**Future Pari Passu Liabilities**"), the amounts owing to the Cash Management Providers (as defined in the Intercreditor Agreement) (the "**Cash Management Liabilities**"), the amounts owing to the Priority Hedge Counterparties under the Super Senior Hedging Agreements (the "**Priority Hedging Liabilities**" and, together with the Cash Management Liabilities and the Credit Facility Liabilities, the "**Super Senior Liabilities**") and the amounts owing to the Non-Priority Hedge Counterparties under the Pari Passu Hedging Agreements (the "**Pari Passu Hedging Liabilities**" and, together with the Super Senior Hedging Liabilities, the "**Hedging Liabilities**"), certain customary costs and expenses of the Trustee (the "**Senior Secured Trustee Liabilities**"), amounts owing to the Security Agent, and amounts owing to the Creditor Representatives (the "**Creditor Representative Liabilities**"), will rank equally (without preference among them) in right and priority of payment and in priority to the liabilities of the Obligors, as the case may be, in respect of the Future Senior Subordinated Debt (the "**Future Senior Subordinated Liabilities**"), the Intra-Group Liabilities (except as otherwise set out under "*—Intra-Group Liabilities and Shareholder Liabilities" below*) and the Shareholder Liabilities.

The Future Senior Subordinated Debt will rank in priority to the Intra-Group Liabilities owed to the Issuer and, following the Control Date, the members of the Target Group and the Shareholder Liabilities.

The Intercreditor Agreement will not rank any liabilities and/or obligations owed to any person who is not the Issuer or a restricted subsidiary of the Issuer.

Priority of Transaction Security

The Intercreditor Agreement shall provide that the Transaction Security created pursuant to the Transaction Security Documents shall rank and secure the following liabilities in the following order (but only, in each case, to the extent that such Transaction Security is expressed to secure those liabilities):

- **first**, *pari passu* between themselves and without any preference between them, the Credit Facility Liabilities, the Priority Hedging Liabilities, the Senior Secured Notes Liabilities, the Future Pari Passu Liabilities, the Cash Management Liabilities, certain customary costs and expenses of the Trustee and the Non-Priority Hedging Liabilities; and
- **second**, *pari passu* between themselves and without any preference between them, the Future Senior Subordinated Liabilities.

The proceeds from the enforcement of the Transaction Security are to be applied as described below under the caption "*—Application of Proceeds/Waterfall*."

Intra-Group Liabilities and Shareholder Liabilities

The Intercreditor Agreement shall provide that the Intra-Group Liabilities owed to the Issuer and, following the Control Date, the members of the Target Group and the Shareholder Liabilities are postponed and subordinated to the liabilities owed by the Obligors to the Primary Creditors. Prior to the Control Date, the Intra-Group Liabilities owed to members of the Target Group are subordinated to the Super Senior Liabilities of the Target Group only.

Restrictions on Payments

Super Senior Creditors and Senior Secured Creditors

The Intercreditor Agreement shall provide that the Obligors may make payments in respect of the Credit Facility Liabilities, the Senior Secured Notes Liabilities and the Future Pari Passu Liabilities, respectively, at any time in accordance with their respective terms.

Cash Management Providers

The Intercreditor Agreement shall provide that prior to the date on which all Senior Secured Debt is discharged in full (the "**Senior Secured Debt Discharge Date**"), unless a Credit Facility Acceleration Event, a Senior Secured Notes Acceleration Event, a Future Pari Passu Debt Acceleration Event or an Insolvency Event (as each such term is defined in the Intercreditor Agreement) has occurred, the debtors and Third Party Security Providers may make payments to any Cash Management Provider (as defined in the Intercreditor Agreement) in respect of the Cash Management Liabilities then due to that Cash Management Provider (as defined in the Intercreditor Agreement) under any Cash Management Agreement (as defined in the Intercreditor Agreement) in accordance with the terms of the applicable Cash Management Agreement (as defined in the Intercreditor Agreement). Following the occurrence of a Credit Facility Acceleration Event, a Senior Secured Notes Acceleration Event, a Future Pari Passu Debt Acceleration Event or an Insolvency Event (as each such term is defined in the Intercreditor Agreement) which is continuing, the debtors under the Intercreditor Agreement and the Third Party Security Providers may not make payments in respect of the Cash Management Liabilities without the consent of an Instructing Group (as defined below) unless such payments are expressly permitted under the Intercreditor Agreement in accordance with any Enforcement Action taken by the Cash Management Providers (as defined in the Intercreditor Agreement).

Future Senior Subordinated Creditors

Prior to the Senior Secured Debt Discharge Date, except with the prior consent of an "**Instructing Group**" (as defined below), neither the Issuer, the Third Party Security Providers nor any member of the Restricted Group may make payments in respect of the Future Senior Subordinated Liabilities without the consent of the "Relevant Representative" (as defined below) except for the following:

(1) if:

(a) the payment is:

(i) any of the principal or interest (including capitalized interest and default interest) amount of the Future Senior Subordinated Liabilities which is either (1) not prohibited from being paid by the Super Senior Facilities Agreement or any Credit Facility finance agreement, the Indenture or any Future Pari Passu Debt finance agreement or (2) paid on or after the final maturity date of the Future Senior Subordinated Liabilities (*provided that* (x) the scheduled maturity date of such Future Senior Subordinated Debt is, at the first date of incurrence of such Future Senior Subordinated Debt, no earlier than the date falling six months after the original scheduled maturity date of the Notes issued on or about the date of the Intercreditor Agreement (it being acknowledged that such Future Senior Subordinated Debt may have customary optional redemption, change of control, asset sale and/or other customary mandatory redemption provisions) and (y) such maturity date is no earlier than that contained in the relevant Future Senior Subordinated Debt documents as of the first date of incurrence of any Future Senior Subordinated Debt); or

(ii) any other amount in respect of the Future Senior Subordinated Liabilities which is not an amount of principal or capitalized interest and default interest on the Future Senior Subordinated Liabilities accrued due and payable in cash in accordance with the terms of the relevant debt documents for the Future Senior Subordinated Debt (together, the "**Future Senior Subordinated Debt Documents**"), additional amounts payable as a result of the tax gross-up provisions relating to the Future Senior Subordinated Liabilities and amounts in respect of currency indemnities in the relevant Future Senior Subordinated Debt Documents;

(b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Future Senior Subordinated Liabilities (a "**Payment Blockage Notice**") is outstanding; and

(c) no payment default under the Super Senior Facilities Agreement or comparable provision of any permitted credit facility financing agreement, no payment default under any Notes Document in respect of an amount constituting principal or interest or otherwise not exceeding €100,000 (or its equivalent in other currencies) and/or no payment default under any Future Pari Passu Debt document in respect of an amount constituting principal or interest or otherwise not exceeding €100,000 (or its equivalent in other currencies) (a "**Senior Secured Debt Payment Default**") has occurred and is continuing; or

(2) the "Majority Super Senior Creditors" and the "Majority Senior Secured Creditors" (each as defined below) give prior consent to that payment being made; or

(3) the payment is a "Permitted Post-Payment Blockage Payment" (as defined below).

(4) the payment is in respect of costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) the Future Senior Subordinated Debt Documents (including in relation to any reporting or listing requirements under the Future Senior Subordinated Debt Documents); or

(5) the payment is in respect of costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Future Senior Subordinated Debt in compliance with the Intercreditor Agreement, the Super Senior Facilities Agreement and any Credit Facility finance agreement, the Indenture and any Future Pari Passu Debt finance agreement; or

(6) the payment is in respect of certain customary costs and expenses payable to a "Future Senior Subordinated Debt Representative" (as defined below).

On or after the Senior Secured Debt Discharge Date, the Obligors may make payments to the Future Senior Subordinated Creditors in respect of the Future Senior Subordinated Liabilities in accordance with the Future Senior Subordinated Debt Documents.

Payment Block—Future Senior Subordinated Debt

Prior to the Senior Secured Debt Discharge Date, if a Senior Secured Debt Payment Default has occurred and is continuing, all payments in respect of the Future Senior Subordinated Liabilities (other than any payment consented to by the "Majority Super Senior Creditors" and the "Majority Senior Secured Creditors" (each as defined below) and certain specified exceptions) are suspended.

Prior to the Senior Secured Debt Discharge Date, if an event of default (other than a Senior Secured Debt Payment Default) under the finance documents in respect of the Senior Secured Debt (a "**Senior Secured Debt Event of Default**") has occurred and is continuing, and either the Agent, the creditor representative for any Credit Facility (together the "Senior Agents" and each a "**Senior Agent**"), the Trustee or a creditor representative of Future Pari Passu Debt (as the case may be) (each a "**Relevant Representative**") has delivered a Payment Blockage Notice to the Issuer, the Security Agent and creditor representative of the Future Senior Subordinated Creditors (the "**Future Senior Subordinated Debt Representative**"), all payments in respect of the Future Senior Subordinated Liabilities (other than those consented to by the Majority Super Senior Creditors and Majority Senior Secured Creditors (each as defined below) and certain specified exceptions) are suspended until the earliest of:

(1) the date on which there is a waiver, remedy or cure of such Senior Secured Debt Event of Default in accordance with the relevant finance documents;

(2) the date on which a default under the Future Senior Subordinated Debt occurs for failure to pay principal at the original scheduled maturity of the Future Senior Subordinated Debt;

(3) the date falling 179 days after the receipt by the Future Senior Subordinated Debt Representative of the Payment Blockage Notice;

(4) if a "Standstill Period" (as defined below) is in effect at any time after delivery of a Payment Blockage Notice, the date on which that Standstill Period expires;

(5) the date on which the relevant Senior Secured Debt Event of Default is no longer continuing and, if the relevant Senior Secured Debt has been accelerated, such acceleration has been rescinded (and if such acceleration consisted solely of declaring the relevant debt payable on demand such rescission can be effected by the relevant majority creditors in respect of the relevant debt);

(6) the date on which the Relevant Representative which issued the Payment Blockage Notice (and, if at such time a Senior Secured Debt Event of Default is continuing (other than in relation to the Senior Secured Debt in respect of which such notice was given), the Relevant Representative(s) in respect of that other Senior Secured Debt) delivers a notice to the Issuer, the Security Agent and the Future Senior Subordinated Debt Representative cancelling that Payment Blockage Notice;

(7) the Senior Secured Debt Discharge Date; and

(8) the date on which the Future Senior Subordinated Debt Representative or the Security Agent takes any Enforcement Action which it is permitted to take in accordance with the Intercreditor Agreement.

Unless the Future Senior Subordinated Debt Representative waives this requirement: (i) no new Payment Blockage Notice may be served by a Relevant Representative unless 360 days have elapsed since the delivery of the immediately prior Payment Blockage Notice; and (ii) no Payment Blockage Notice may be served in reliance on a Senior Secured Debt Event of Default more than 60 days after the date that the Relevant Representative received notice of that Senior Secured Debt Event of Default.

The Relevant Representative may only serve one Payment Blockage Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Relevant Representatives to issue a Payment Blockage Notice in respect of any other event or set of circumstances.

No Payment Blockage Notice may be served by a Relevant Representative in respect of a Senior Secured Debt Event of Default which had been notified to each of them at the time at which an earlier Payment Blockage Notice was issued.

Cure of Payment Block—Future Senior Subordinated Creditors

If:

(1) at any time following the issue of a Payment Blockage Notice or the occurrence of a Senior Secured Debt Payment Default, that Payment Blockage Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Debt Payment Default ceases to be continuing; and

(2) the relevant Obligor then promptly pays to the Future Senior Subordinated Creditors an amount equal to any payments which had accrued under any Future Senior Subordinated Debt Documents and which would have otherwise been entitled to make but for that Payment Blockage Notice or Senior Secured Debt Payment Default,

(a "**Permitted Post-Payment Blockage Payment**"), then any event of default which may have occurred as a result of that suspension of payments shall be waived and any "Future Senior Subordinated Debt Enforcement Notice" (as defined below) which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Future Senior Subordinated Creditors.

Enforcement Action

Permitted enforcement by Future Senior Subordinated Creditors

Prior to the Senior Secured Debt Discharge Date, neither the Future Senior Subordinated Debt Representative nor the Future Senior Subordinated Creditors may take or require the taking of an Enforcement Action with respect to the Future Senior Subordinated Debt without the prior consent of or as required by an "Instructing Group" (as defined below), except if:

(1) an event of default under a Future Senior Subordinated Debt finance agreement is continuing (the "**Relevant Future Senior Subordinated Debt Event of Default**");

(2) each Relevant Representative has received notice of the Relevant Future Senior Subordinated Debt Event of Default from the relevant Future Senior Subordinated Debt Representative;

(3) a Standstill Period has expired; and

(4) the Relevant Future Senior Subordinated Debt Event of Default is continuing at the end of the relevant Standstill Period,

provided that in the case of paragraph (2) above only, no such Enforcement Action may be taken if the Security Agent is acting in accordance with the instructions of the Instructing Group to take steps for Enforcement and such proposed Enforcement Action in relation to the Future Senior Subordinated Debt Documents might reasonably be likely to adversely affect such Enforcement Action by the Security Agent.

Standstill on enforcement by Future Senior Subordinated Creditors

A "**Future Senior Subordinated Debt Standstill Period**" shall mean the period starting on the date that the Future Senior Subordinated Debt Representative serves an enforcement notice (a "**Future Senior Subordinated Debt Enforcement Notice**") on the Relevant Representatives until the earliest of:

(a) 179 days after such date;

(b) the date on which the Security Agent takes any Enforcement Action, *provided* that (i) if the Future Senior Subordinated Debt Standstill Period ends pursuant to this paragraph (b), the Future Senior Subordinated Creditors may only take the same Enforcement Action against the same entity as is taken by the Security Agent and may not take any other action against any other member of the Restricted Group or Holdco and (ii) Enforcement Action, for the purposes of this paragraph (b), shall not include action taken to preserve or protect any security as opposed to realize it;

(c) the date on which an insolvency event occurs in respect of a particular Obligor owing Future Senior Subordinated Liabilities and against whom Enforcement Action is to be taken; and

(d) the expiration of any other Future Senior Subordinated Debt Standstill Period which was outstanding at the date that the current Future Senior Subordinated Debt Standstill Period commenced (other than as a result of a cure, waiver or other permitted remedy thereof).

Composition of the instructing creditor groups

The Intercreditor Agreement will generally provide that the Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise by an Instructing Group. Each of the creditor groups referred to below under this caption constitute an "**Instructing Group**."

(a) Subject to paragraphs (b) and (c) below, the Super Senior Lenders, the Additional Credit Facility Lenders and the Priority Hedge Counterparties whose credit participations represent more than 66⅔% of the aggregate credit participations of all Super Senior Lenders, Additional Credit Facility Lenders and Priority Hedge Counterparties (the "**Majority Super Senior Creditors**") and the Majority Senior Secured Creditors (as defined in the Intercreditor Agreement);

(b) In relation to instructions with respect to any Enforcement:

  (i) Prior to the first date on which all Super Senior Liabilities have been fully and finally discharged to the satisfaction of the Super Senior Agent (in the case of the Super Senior Lender Liabilities), each Cash Management Provider (as defined in the Intercreditor Agreement) (in the case of its Cash Management Liabilities) and each Priority Hedge Counterparty (in the case of its Priority Hedging Liabilities), whether or not as the result of an enforcement, and the Super Senior Creditors (in that capacity) are under no further obligation to provide financial accommodation to any of the debtors under the debt documents (such date, the "**Super Senior Discharge Date**"), the Majority Super Senior Creditors and the Majority Senior Secured Creditors, in each case subject to a consultation period referred to under the caption "*—Consultation*" below and *provided* that such instructions are consistent with the "Security Enforcement Principles" (as defined below) as generally described below under the caption "*—Security Enforcement Principles*"; and

  (ii) On or after the Super Senior Discharge Date but prior to the Senior Secured Debt Discharge Date, the Majority Senior Secured Creditors; and

(c) Following the Senior Secured Debt Discharge Date, those Future Senior Subordinated Creditors whose credit participations at that time aggregate more than 50% of the aggregate credit participations of all Future Senior Subordinated Creditors (the "**Majority Future Senior Subordinated Creditors**").

Consultation

Prior to giving any instructions to the Security Agent to commence enforcement of all or part of the Transaction Security and/or the requesting of a "distressed disposal" and/or the release or disposal of claims or Transaction Security on a distressed disposal (each an "**Enforcement**"), the relevant creditor representative(s) of the Majority Super Senior Creditors or the Majority Senior Secured Creditors shall first notify the Security Agent and the creditor representative for each of the Super Senior Creditors and each of the Senior Secured Creditors that the applicable Transaction Security has become enforceable.

As soon as reasonably practicable after receipt of such a notice instructing the Security Agent to solicit instructions to enforce the Transaction Security or take any other Enforcement Action given by the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors (as the case may be), the Security Agent shall distribute such notice to the relevant addressees promptly upon receipt, following which, each Senior Agent (acting on the instructions of the Majority Super Senior Creditors), the Trustee and the creditor representative(s) of the Future Pari Passu Creditors will consult in good faith with each other and the Security Agent for a period of not less than 30 days from the date such notice is received by such persons (or such shorter period as the relevant parties may agree) (the "**Consultation Period**") with a view to coordinating the instructions to be given by an Instructing Group and agreeing an enforcement strategy.

Generally, no such consultation shall be required (and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the Transaction Security or take any other Enforcement

Action prior to the end of the Consultation Period, in each case provided such instructions comply with the Security Enforcement Principles ("**Qualifying Instructions**")) where:

(a) the Transaction Security has become enforceable as a result of an insolvency event affecting Holdco, the Issuer, any Obligor (owing liabilities to any Primary Creditor or the Issuer) or any Third Party Security Provider or "significant subsidiary" (as applicable) (each a "**Relevant Company**"); or

(b) subject to no instructions being given by an Instructing Group at any time (whether before or after the end of the Consultation Period) an insolvency event has occurred which is continuing with respect to a Third Party Security Provider or Relevant Company and the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action at that time with respect to such Third Party Security Provider or Relevant Company, if the Majority Super Senior Creditors or the Majority Senior Secured Creditors determine in good faith (and notify the creditor representatives of each of the other Super Senior Lenders, Cash Management Providers (as defined in the Intercreditor Agreement), Additional Credit Facility Lenders, Priority Hedge Counterparties, the holders of the Senior Secured Notes, the Future Pari Passu Creditors and the Security Agent) that to enter into such consultations and thereby delay the commencement of enforcement of the Transaction Security could reasonably be expected to reduce the amount likely to be realized to a level such that (following application thereof in accordance with the "Payments Waterfall" (as defined below) described below under the caption "*—Application of Proceeds/Waterfall*") the Super Senior Liabilities would not be discharged in full and in this case any instructions will be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors on behalf of which the relevant Instructing Group is acting and the Security Agent shall act in accordance with the instructions first received.

If, following the Consultation Period, the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors have agreed on an enforcement strategy, the Security Agent shall be instructed to implement the same.

Subject to the paragraph below, in the event that conflicting instructions (and for these purposes silence is deemed to be a conflicting instruction) are received from either Instructing Group by the end of (or following) the Consultation Period, the Security Agent shall enforce the Transaction Security and/or refrain from enforcing the Transaction Security and/or take the relevant other Enforcement Action in accordance with the instructions provided by the Majority Senior Secured Creditors, *provided* that any such instructions are Qualifying Instructions and the terms of all instructions received by the Majority Super Senior Creditors during the Consultation Period shall be deemed revoked.

If, prior to the Super Senior Discharge Date, either (x) the Super Senior Discharge Date has not occurred within six months of the end of the Consultation Period, (y) the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action within three months of the end of the Consultation Period or (z) at any time (whether before or after the end of the Consultation Period) an insolvency event has occurred with respect to a Third Party Security Provider or Relevant Company and the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action at that time with respect to such Third Party Security Provider or Relevant Company, then, in relation to instructions with respect to any Enforcement, the Security Agent shall thereafter follow any instructions that are subsequently given by the Majority Super Senior Creditors (in each case provided the same are Qualifying Instructions) to the exclusion of those given by the Majority Senior Secured Creditors (to the extent conflicting with any instructions previously given by the Majority Senior Secured Creditors).

Security Enforcement Principles

The Intercreditor Agreement will provide that enforcement of the Transaction Security must be conducted in accordance with the "Security Enforcement Principles," which principles shall include the following:

(a) It shall be the aim of any Enforcement of the Transaction Security to maximize, so far as is consistent with a prompt and expeditious realization of value from Enforcement of the Transaction Security, and in a manner consistent with the Intercreditor Agreement, the recovery by the Super Senior Creditors, the Senior Secured Creditors and their representatives, and the Future Senior Subordinated Creditors (to the extent the Transaction Security is expressed to secure such debt) and their representatives (the "**Security Enforcement Objective**").

(b) Without prejudice to the Security Enforcement Objective and unless otherwise agreed by the Majority Super Senior Creditors, the Transaction Security will be enforced and any other action as to Enforcement will be taken such that either:

(i) all proceeds of Enforcement are received by the Security Agent in cash (or substantially all cash) for distribution in accordance with the Payments Waterfall; or

(ii) sufficient proceeds of Enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Payments Waterfall, the Super Senior Liabilities are repaid and discharged in full.

(c) The Enforcement Action must be prompt and expeditious and should be reasonably expected to realise value from the Enforcement of the Transaction Security or Distressed Disposal pursuant to Enforcement by no later than the day falling six (6) months after the last day of the Consultation Period.

(d) On:

(i) a proposed Enforcement of any of the Transaction Security over assets other than shares in a member of the Restricted Group, where the aggregate book value of such assets exceeds €5.0 million (or its equivalent); or

(ii) a proposed Enforcement of any of the Transaction Security over some or all of the shares in a member of the Restricted Group over which Transaction Security exists,

the Security Agent (acting on the instructions of the Instructing Group) shall (unless such enforcement is made pursuant to a public auction or process supervised by a court of law which makes a determination as to value) obtain an opinion from a reputable internationally recognized investment bank or international accounting firm or other reputable, third-party professional firm that is regularly engaged in providing valuations of businesses or assets similar or comparable to those charged under the Transaction Security to be enforced (a "**Financial Advisor**") to opine as expert:

(A) on the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Objective and maximize the recovery of any such Enforcement Action;

(B) that the proceeds received from Enforcement are fair from a financial point of view after taking into account all relevant circumstances; and

(C) that such sale is otherwise in accordance with the Security Enforcement Objective.

(e) The Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement. It is understood that the Financial Advisor may limit its liability in respect of the opinion referred to in (c) above to the amount of its fees in respect of such engagement.

The Financial Advisor's Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other Enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met.

Unless otherwise agreed by the Majority Super Senior Creditors, following the expiry of the six (6) month period referred to above, the Security Enforcement Objective shall cease to apply to any enforcement of the Transaction Security until the Super Senior Discharge Date has occurred.

In the event that an Enforcement of the Transaction Security is over assets and shares referred to above and such Enforcement is conducted by way of public auction, any equity investors of the Restricted Group shall be entitled to participate in such auction. Nothing in the Security Enforcement Principles requires Enforcement of Transaction Security to take place by way of public auction.

In the absence of written notice from a Creditor or group of Creditors that are not part of the relevant Instructing Group that such Creditor(s) object(s) to any Enforcement of the Transaction Security on the grounds that such Enforcement Action does not aim to achieve the Security Enforcement Objective (an "**Objection**"), the Security Agent is entitled to assume that such Enforcement of the Transaction Security is in accordance with the Security Enforcement Objective.

If the Security Agent receives an Objection (and without prejudice to the ability of the Security Agent to rely on other advisers and/or exercise its own judgement in accordance with the Intercreditor Agreement), a Financial Advisor's Opinion to the effect that the particular action could reasonably be said to be aimed at achieving the Security Enforcement Objective will be conclusive evidence that the Security Enforcement Objective has been met.

Turnover

The Intercreditor Agreement will also provide that, subject to certain exceptions, if any Primary Creditor receives or recovers the proceeds of any enforcement of any Transaction Security applied other than in accordance with the Payments Waterfall, it shall:

- in relation to receipts or recoveries not received or recovered by way of set-off: (i) hold an amount of that receipt or recovery equal to the relevant liabilities on trust for the Security Agent and separate from other assets, property or funds and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that receipt or recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Application of Proceeds/Waterfall

Subject to certain exceptions, all amounts from time to time received or recovered by the Security Agent in connection with the realization or Enforcement of all or any part of the Transaction Security or otherwise paid to the Security Agent in accordance with the Intercreditor Agreement for application below shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law and in the following order of priority (the "**Payments Waterfall**"):

- **first**, in payment of the following amounts, *inter alia*, in the following order: (i) *pari passu* and *pro rata* any sums owing to the Security Agent, any receiver or any delegate and certain fees, costs and expenses (including the costs of any actual or attempted Enforcement Action); and then (ii) *pari passu* and *pro rata* to each other creditor representative of the Primary Creditors in respect of their costs and expenses (to the extent not included in (i) above and excluding any Hedge Counterparty as its own creditor representative);
- **second**, *pari passu* and *pro rata*, in or towards payment of all costs and expenses incurred by the Super Senior Creditors in connection with the realization or enforcement of Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;
- **third**, *pari passu* and *pro rata*, in or towards payment to: (i) each creditor representative in respect of a Credit Facility on its own behalf and on behalf of the arrangers under the Super Senior Facilities and lenders under the Credit Facilities (as applicable) at such time; (ii) the Priority Hedge Counterparties (generally, in proportion to each Priority Hedge Counterparty's "super senior" hedging amount subject to a cap in respect of all Priority Hedge Counterparties) and (iii) the Cash Management Providers (as defined in the Intercreditor Agreement);
- **fourth**, *pari passu* and *pro rata* in or towards payment to: to the Trustee on behalf of the holders of the Senior Secured Notes and to the relevant creditor representative of the Future Pari Passu Creditors it represents for application towards any unpaid costs and expenses incurred by or on behalf of any holders of the Senior Secured Notes and Future Pari Passu Creditors in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Transaction Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;
- **fifth**, in or towards payment to: (i) the Trustee on behalf of the holders of the Senior Secured Notes; (ii) each creditor representative of the Future Pari Passu Creditors it represents and (iii) to the Non-Priority Hedge Counterparties, in each case on a *pari passu* and *pro rata* basis;
- **sixth**, (if such Transaction Security is expressed to secure the Future Senior Subordinated Liabilities) *pari passu* and *pro rata* in or towards payment to each Future Senior Subordinated Debt Representative on behalf of the Future Senior Subordinated Creditors it represents for application

towards any unpaid costs and expenses incurred by or on behalf of any Future Senior Subordinated Creditors in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Transaction Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;

- **seventh**, (if such Transaction Security is expressed to secure the Future Senior Subordinated Liabilities) to each Future Senior Subordinated Debt Representative on behalf of the Future Senior Subordinated Creditors it represents for application towards the discharge of the Future Senior Subordinated Liabilities on a *pari passu* and *pro rata* basis;
- **eighth**, in payment to any other person to whom the Security Agent is obliged to pay in priority to any debtor under the Intercreditor Agreement or Third Party Security Provider; and
- **ninth**, the balance, if any, in payment to the relevant debtor under the Intercreditor Agreement.

Disposals

Non-distressed Disposals

Generally, in circumstances where a disposal or certain other specified transactions (including mergers, reorganizations and other transactions) are not being effected pursuant to a "Distress Event" (as defined below) (a disposal effected pursuant to a Distress Event being a "**Distressed Disposal**") and are otherwise permitted by the terms of the Indenture, the Cash RCF Facility and the L/G RCF Facility, any Credit Facilities and any Future Pari Passu Debt and the Future Senior Subordinated Debt Documents, the Intercreditor Agreement will provide that the Security Agent is authorized: (i) to release the Transaction Security (and in connection with such release, execute any related documents); and (ii) if the relevant asset consists of shares in the capital of an Obligor, to release the Transaction Security or any other claim in respect of the liabilities secured by the Transaction Security over the assets of that Obligor and the shares in and assets of any of its subsidiaries (and in connection with such release, execute any related documents).

Distressed Disposals

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will provide that the Security Agent is authorized:

(a) to release the Transaction Security, or any other claim over that asset and execute and deliver or enter into any release of that Transaction Security, or claim and issue any letters of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(b) if the asset which is disposed of consists of shares in the capital of an Obligor, to release: (i) that Obligor and any subsidiary of that Obligor from all or any part of its "borrowing liabilities" and "guarantee liabilities" to the Super Senior Creditors, the Senior Secured Creditors, the Future Senior Subordinated Creditors, the Intra-Group Lenders and the Shareholder Creditors (together, the "**Primary Liabilities**") or "other liabilities" it may have to Shareholder Creditors, Intra-Group Lenders or Obligors (together, the "**Other Liabilities**"); (ii) any Transaction Security granted by that Obligor or any subsidiary of that Obligor over any of its assets and any holding company of that Obligor over any shares, loans, claims or other rights in or against that Obligor; and (iii) any other claim of a Shareholder Creditor, Intra-Group Lender, or another Obligor over that Obligor's assets or over the assets of any subsidiary of that Obligor;

(c) if the asset which is disposed of consists of shares in the capital of any holding company of a Obligor, to release: (i) that holding company and any subsidiary of that holding company from all or any part of its Primary Liabilities and Other Liabilities; (ii) any Transaction Security granted by any subsidiary of that holding company over any of its assets and any holding company of that holding company over shares, loans, claims or other rights in or against that holding company and (iii) any other claim of a Shareholder Creditor, Intra-Group Lender or another Obligor over the assets of any subsidiary of that holding company; and

(d) if the asset which is disposed of consists of shares in the capital of an Obligor or a holding company of an Obligor, to provide for (1) the transfer of liabilities to another Obligor and/or (2) at the discretion of the Security Agent (provided that it is acting in accordance with the Security Enforcement

Principles) the disposal, to third parties, of creditors' claims against that Obligor or holding company (which may include claims against the Issuer).

If a Distressed Disposal is being effected such that the claims of the holders of the Future Senior Subordinated Liabilities and Transaction Security over shares in (and any shareholder loans to) the Issuer or assets of a guarantor of Future Senior Subordinated Liabilities or the Issuer will be released, it is a further condition to the release that either:

(i) the Future Senior Subordinated Debt Representative has approved the release on the instructions of the requisite Future Senior Subordinated Debt Creditors (as determined under the relevant Future Senior Subordinated Debt Documents or, if not addressed thereunder, with the approval of at least a majority of such Future Senior Subordinated Liabilities); or

(ii) each of the following conditions are satisfied:

  (A) the proceeds of such sale or disposal are in cash (or substantially in cash);

  (B) all present and future obligations owed to the Senior Secured Parties under the Senior Debt Documents by a member of the Restricted Group, all of whose shares are pledged under the Transaction Security are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security in respect of the assets that are sold or disposed of is simultaneously and unconditionally released concurrently with such sale; and

  (C) such sale or disposal is made:

    (I) pursuant to a public auction; or

    (II) where an internationally recognized investment bank or an internationally recognized firm of accountants selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement and the circumstances giving rise to such sale, *provided* that the liability of such investment bank or internationally recognized firm of accountants in giving such opinion may be limited to the amount of its fees in respect of such engagement.

The net proceeds of a Distressed Disposal (and the net proceeds of any disposal of liabilities) shall be paid to the Security Agent (as the case may be) for application in accordance with the provisions set forth under "*—Application of Proceeds/Waterfall*" above as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities has occurred, as if the disposal of liabilities had not occurred.

Option to Purchase

Generally, subject to the following paragraph, following:

(a) any notice that the Transaction Security has become enforceable; or

(b) either (i) an acceleration of the Super Senior Facilities, any Credit Facility, the Senior Secured Notes, the Future Pari Passu Debt or the Future Senior Subordinated Debt, or (ii) the enforcement of any Transaction Security (a "**Distress Event**"),

the holders of the Senior Secured Notes and Future Pari Passu Debt shall have an option to purchase all (but not part) of the Super Senior Lenders' or Additional Credit Facility Lenders' commitments under the Super Senior Facilities or Credit Facility (as applicable) and all their exposures in respect of any Hedging Agreement in respect of Super Senior Facilities or Credit Facility (as applicable) at par plus accrued interest and all other amounts owing under the Super Senior Facilities or Credit Facility and Hedging Agreements (as the case may be).

Following any notice that the Transaction Security has become enforceable or a Distress Event, the holders of the Future Senior Subordinated Debt shall also have an option to purchase all (but not part) of the Senior Secured Debt at par plus accrued interest and all other amounts owing in respect of such Senior Secured Debt, with such purchase to occur all at the same time.

Governing law

The Intercreditor Agreement will be governed by and construed in accordance with English law save for the clause headed "German Law Security Property" and the relevant section of the clause headed "Governing Law," which shall be governed by German law.

Shareholder Loan II

The Issuer has entered into a (short-term) shareholder loan agreement with Triton V Luxco 31 S.à r.l. as lender and the Issuer as borrower, pursuant to which the lender will lend and the Issuer will borrow a bridge loan in an amount of €40.0 million to finance such timeframe until such time as the Issuer receives an upstream loan from RENK AG following the occurrence of the Control Date. The receivables under the subordinated shareholder loan will form part of the Collateral.

The subordinated shareholder loan matures two years after funding of the shareholder loan. The shareholder loan (together with accrued but unpaid interest) shall be prepaid by the Issuer within three days of receipt of funds under the upstream loan from RENK AG. No cash payments are required to be made under the shareholder loan.

The Issuer expects to repay the Shareholder Loan II by way of a dividend to the Sponsor in 2021 in an expected amount of €40.0 million. See "*Capitalization*."

DESCRIPTION OF THE NOTES

You will find definitions of certain capitalized terms used in this "Description of the Notes" under the heading "Certain Definitions." For purposes of this "Description of the Notes," references to "we," "our," and "us" refer to the Issuer and its subsidiaries and references to the "Issuer" refer to Rebecca BidCo GmbH.

The Issuer will issue €320.0 million aggregate principal amount of Senior Secured Notes due 2025 (the "*Notes*") under an indenture to be dated as of July 13, 2020 (the "*Indenture*"), between, *inter alios*, the Issuer, Deutsche Trustee Company Limited, as trustee (the "*Trustee*"), and Deutsche Bank AG, London Branch, as security agent (the "*Security Agent*") and as paying agent. The Indenture will not be qualified under, incorporate or include, by reference or otherwise, or be subject to, any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

The offering of the Notes is expected to close prior to the consummation of the Acquisition. Pending consummation of the Acquisition, on the Issue Date, the gross proceeds of the Offering of the Notes will be deposited into an escrow account held in the name of the Issuer (the "*Escrow Account*) but controlled by Deutsche Bank AG, London Branch as escrow agent (the "*Escrow Agent*") pursuant to an escrow agreement to be dated on or about the Issue Date between, among others, the Issuer and the Escrow Agent (the "*Escrow Agreement*"). The Escrow Agreement, including the conditions to the release of the escrowed proceeds in the Escrow Account, are more fully described under "*—Escrow of Proceeds; Special Mandatory Redemption*" below. In certain circumstances, pending release of the Escrowed Property (as defined below) from escrow, the Notes may be redeemed at a price equal to 100% of the initial issue price of the Notes and accrued and unpaid interest and Additional Amounts, if any, from the Issue Date or, if interest has already been paid, from the date it was most recently paid to, but not including, the Special Mandatory Redemption Date. See "*—Escrow of Proceeds; Special Mandatory Redemption*" below.

Upon release from the Escrow Account, the proceeds of the offering of the Notes sold on the Issue Date, together with the Initial Equity Contribution will be used to fund the Acquisition and to pay related fees and expenses, as set forth in this Offering Memorandum under the caption "*Use of Proceeds*." The Indenture will be unlimited in aggregate principal amount, of which €320.0 million aggregate principal amount of Notes will be issued in this Offering. We may, subject to applicable law, issue an unlimited principal amount of additional Notes having identical terms and conditions as the Notes (the "*Additional Notes*"); provided that, if the Additional Notes are not fungible with the initial Notes for U.S. federal income tax purposes, such Additional Notes will be issued with a separate ISIN code or common code, as applicable, from the Notes. We will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under "*—Certain Covenants—Limitation on Indebtedness*"). Except as otherwise provided for in the Indenture, the Notes issued in this Offering and, if issued, any Additional Notes will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, in this "*Description of the Notes*," references to the "Notes" include the Notes and any Additional Notes that are actually issued.

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (each as defined below). The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Liens on the Collateral securing the Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for a description of the material terms of the Intercreditor Agreement.

This "*Description of the Notes*" is intended to be an overview of the material provisions of the Notes, the Indenture, the Escrow Agreement, the Escrow Charge and the Security Documents, and it refers to certain provisions of the Intercreditor Agreement. Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Indenture, the Intercreditor Agreement, the Escrow Agreement, the Escrow Charge and the Security Documents for complete descriptions of the obligations of the Issuer and your rights. Copies of the Indenture are available from us upon request.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the Securities Act and are subject to certain transfer restrictions.

General

The Notes

The Notes will, upon issuance:

- be general senior obligations of the Issuer;
- be secured as set forth under "—*Security*," on a *pari passu* basis with the interests granted in favor of the Super Senior Facilities and certain Hedging Obligations, except that Holders of the Notes will receive proceeds from enforcement of the Collateral (other than the Escrowed Property) and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the Super Senior Facilities and certain Hedging Obligations (if any), have been repaid in full;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including Indebtedness under the Super Senior Facilities;
- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- be effectively senior to any existing and future Indebtedness of the Issuer that is not secured by the Collateral, to the extent of the value of such Collateral;
- be effectively subordinated to any existing or future Indebtedness or obligation (including obligations to trade creditors) of the Issuer and its Subsidiaries that is secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; and
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of the Issuer that are not Guarantors, including obligations owed to trade creditors and, prior to the date on which the Target and any Guarantor grant a Guarantee, the Super Senior Facilities.

The Guarantees

On the Issue Date, the Notes will not be guaranteed by any of the Issuer's Subsidiaries or any member of the Target Group. Within 30 business days following the Control Date, the Notes will be guaranteed on a senior basis by the Target and any other member of the Target Group that is a guarantor under the Super Senior Facilities Agreement.

Each Guarantee of a Guarantor will, at the time a Guarantor grants such Guarantee:

- be general senior obligations of the applicable Guarantor;
- be secured as set forth under "—*Security*," on a *pari passu* basis with the interests granted in favor of the Super Senior Facilities and certain Hedging Obligations, except that Holders of the Notes will receive proceeds from enforcement of the Collateral (other than the Escrowed Property) and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the Super Senior Facilities and certain Hedging Obligations (if any), have been repaid in full;
- rank *pari passu* in right of payment with any existing and future indebtedness of the applicable Guarantor that is not subordinated in right of payment to the applicable Guarantee, including Indebtedness under the Super Senior Facilities;
- rank senior in right of payment to any existing and future Indebtedness of the applicable Guarantor that is expressly subordinated in right of payment to the applicable Guarantee;
- be effectively senior to any existing and future Indebtedness of the applicable Guarantor that is not secured by the Collateral owned by such Guarantor, to the extent of the value of such Collateral;
- be effectively subordinated to any existing or future Indebtedness or obligation (including obligations to trade creditors) of the applicable Guarantor that is secured by property or assets that do not secure the applicable Guarantee, to the extent of the value of the property and assets securing such Indebtedness;
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of the applicable Guarantor that do not Guarantee the Notes; and

- be subject to the limitations described herein and in "*Risk Factors—Risks Related to the Notes and the Collateral—Corporate benefit, financial assistance laws, capital maintenance requirements and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

Principal and Maturity

The Issuer will issue €320.0 million in aggregate principal amount of Notes on the Issue Date (the "*Initial Notes*"). The Notes will mature on July 15, 2025. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Notes will accrue on their outstanding aggregate principal amount at the rate of 5.75% per annum from and including the Issue Date to but excluding the Maturity Date and will be payable semi-annually in arrears on January 15 and July 15 of each year commencing on January 15, 2021 to the Holder of record of such Notes on January 1 and July 1 immediately preceding each such interest payment date. The Notes shall cease to bear interest at the end of the day immediately preceding the relevant due date for repayment. Interest on the Notes will accrue from the date or original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months on the aggregate principal amount outstanding.

Interest on overdue principal and interest including Additional Amounts (as defined below), will accrue at a rate that is 1% higher than the interest rate on the Notes.

The rights of Holders to receive the payments of interest on such Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest and premium, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to the Notes represented by one or more Global Note registered in the name of or held by a nominee of a common depositary for Euroclear and Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest, premium and Additional Amounts if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Notes*."

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents for the Notes. The Initial Paying Agent will be Deutsche Bank AG, London Branch (the "*Paying Agent*").

The Issuer will also maintain a registrar (the "*Registrar*") and a transfer agent (the "*Transfer Agent*"). The initial Registrar and the initial Transfer Agent will be Deutsche Bank Luxembourg S.A. The Registrar and Transfer Agent will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Notes on behalf of the Issuer.

The Issuer may change any Paying Agents, Registrars or Transfer Agents for the Notes without prior notice to the Holders of such Notes. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Guarantees

On the Issue Date, the Notes will not be guaranteed. Within 30 business days following the Control Date, the Notes will be guaranteed on a senior basis by the Target and any other member of the Target Group that is a guarantor under the Super Senior Facilities Agreement (the "*Initial Guarantors*"). As of and for the twelve months period ended March 31, 2020, the aggregated revenue, aggregated EBITDA and aggregated total assets, each calculated on an unconsolidated basis and excluding intra-group profits of the Initial Guarantors together represented 86%, 86% and 91% of the consolidated sales revenue, EBITDA and total assets, respectively, of the Target Group.

The obligations of the Guarantors will be contractually limited under the applicable Guarantees to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. For a description of such contractual limitations, see "*Risk Factors—Risks Related to the Notes and the Collateral—The Notes Guarantees and the Collateral securing the Notes will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*," "*—Other limitations on the Guarantees and the Collateral, including fraudulent conveyance statutes may adversely affect their validity and enforceability.*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

The Issuer is a holding company that does not have, and is not expected to have, any revenue-generating activities of its own and does not have, and is not expected to have, any business operations or material assets (other than its shareholding in the Target). Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred and minority stockholders (if any) of those Restricted Subsidiaries generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Guarantee therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of Restricted Subsidiaries of the Issuer (other than the Guarantors). Although the Indenture limits the incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness*."

In addition, as described below under "*—Certain Covenants—Future Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles, each Restricted Subsidiary that guarantees the Super Senior Facilities, Public Debt or certain other indebtedness shall also enter into a supplemental indenture as a Guarantor of the Notes.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Super Senior Facilities and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, fraudulent preference, capital maintenance and liquidity protection provisions, "thin capitalization" rules, retention of title claims and similar principles.

Each Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance, capital maintenance, liquidity protection and other laws. By virtue of this limitation, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "*Risk Factors—Risks Related to the Notes and the Collateral—The Notes Guarantees and the Collateral securing the Notes will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*," "*—Other limitations on the Guarantees and the Collateral, including fraudulent conveyance statutes may adversely affect their validity and enforceability.*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

The Guarantee of a Guarantor will terminate and release as described under "*Certain Covenants—Release of the Guarantees*."

Transfer and Exchange

The Notes will be issued in the form of several registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "*144A Global Notes*"). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.
- Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*"). The Regulation S Global Note will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under the section "*Transfer Restrictions*" in the Offering Memorandum. In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the "*144A Book-Entry Interests*") may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "*Regulation S Book-Entry Interests*") denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the Issue Date of the Notes, ownership of Regulation S Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to US persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book- Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under the section "*Transfer Restrictions*" in the Offering Memorandum and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under the section "*Transfer Restrictions*" in the Offering Memorandum.

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the Holder of a Note as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

As of the Acquisition Closing Date, all of the Issuer's Subsidiaries will be "Restricted Subsidiaries" for purposes of the Indenture. However, prior to the Control Date the Issuer will only be a majority shareholder with limited influence on the Target's independent management and consequently will not obtain control of the management of the Target Group, and there will be significant limitations and restrictions on the influence that the Issuer may exercise as shareholder of the Target (including with respect to compliance by the Target and its subsidiaries with the covenants under the Indenture). See "*Risk Factors—Risks Related to the Acquisition—The Issuer does not currently control the Target Group and will not control the Target Group until the Control Date.*" In addition, under the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*," the Issuer will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will enter into the Escrow Agreement with the Escrow Agent and the Trustee, pursuant to which the Initial Purchasers will deposit into the Escrow Account with the Escrow Agent an amount equal to the gross proceeds of the offering of the Notes. The Escrow Account will be pledged on a first-ranking basis in favor of the Trustee for the benefit of the holders of the Notes, pursuant to an escrow charge dated the Issue Date between the Issuer, the Escrow Agent and the Trustee (the "*Escrow Charge*"). The initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account, including any interest earned on the amounts held in the Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement, including interest and amounts payable in relation to amount held in the Escrow Account) are referred to, collectively, as the "*Escrowed Property*."

The Escrow Agent shall release the Escrowed Property to the Issuer (the "*Release*"), subject only to the Issuer providing an Officer's Certificate to the Escrow Agent with a copy to the Trustee, on or before June 30, 2021 (the "*Escrow Longstop Date*"), to the effect that all of the following conditions have been met or will satisfied be on or prior to the Business Day immediately following the Release:

(1) the Acquisition will be consummated promptly upon release of the Escrowed Property on the terms set forth in the Acquisition Agreement (except for any changes, amendments, waivers or other modifications of a type contemplated by sub-clause (2) below);

(2) since the date hereof, no material term or condition of the Acquisition Agreement has been amended or waived in a manner or to an extent that would be materially prejudicial to the interests of the holders of the Notes (taken as a whole) under the Indenture (other than any amendment or waiver approved by holders of more than 50% of the outstanding principal amount of the Notes the proceeds of which are in the Escrow Account); and

(3) as at the date of such Officer's Certificate, there is no Event of Default with respect to the Issuer under clause (5) of the first paragraph under the heading titled "*—Events of Default*" below.

The Release will occur promptly upon the receipt of such Officer's Certificate. Upon the Release, the Escrowed Property will be paid out in accordance with the Escrow Agreement and the Escrow Account will be reduced to zero.

In the event that (a) the satisfaction of the conditions set forth above does not take place on or prior to the Escrow Longstop Date, (b) in the reasonable judgment of the Issuer, the Acquisition will not be consummated on or prior to the Escrow Longstop Date, (c) the Acquisition Agreement terminates at any time on or prior to the Escrow Longstop Date or (d) there is an Event of Default with respect to the Issuer under clause (5) of the first paragraph under the heading titled "*—Events of Default*" below (the date of any such event being the "*Special Termination Date*"), the Issuer will redeem all of the Notes (the "*Special Mandatory Redemption*") at a price (the "*Special Mandatory Redemption Price*") equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date or, if interest has already been paid, from the date it was most recently paid to, but not including, the Special Mandatory Redemption Date (as defined below) (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Written notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee, the holders of the Notes and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Escrow Agreement (the "*Special Mandatory Redemption Date*"). On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Paying Agent for payment to each holder of the Notes the Special Mandatory Redemption Price for such holders' Notes and, concurrently with the payment to such holders, deliver any excess Escrowed Property (if any) to the Issuer.

Under the terms of the Escrow Agreement, amounts may be released from the Escrow Account prior to the Acquisition Closing Date to pay negative interest charged on the Escrow Account by the Escrow Agent and to pay accrued interest on the Notes on any interest payment date in respect thereof occurring prior to the Release.

In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property, the Parent, Lux HoldCo or one or more of the Permitted Holders will, pursuant to a commitment provided to the Issuer, be required to fund the difference between the Special Mandatory Redemption Price and the amount of the Escrowed Property, including accrued and unpaid interest, and Additional Amounts, if any, owing to the holders of the Notes and any negative interest charged on the Escrow Account (the "*Equity Commitment Letter*"). See "*Risk Factors—Risks Related to the Transactions—If certain conditions are not satisfied on or prior to the Escrow Longstop Date, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*." The Holders will not have any right to enforce the Equity Commitment Letter, and must rely on the Issuer's sole right to enforcement under the Equity Commitment Letter.

To secure the payment of the Special Mandatory Redemption Price, the Issuer will grant to the Trustee for the benefit of the holders of the Notes a first-ranking security interest over the Escrow Account pursuant to the Escrow Charge. Receipt by the Trustee of either an Officer's Certificate for the release or a notice of Special Mandatory Redemption, in each case in accordance with the Escrow Agreement, shall each constitute deemed consent by the Trustee for the release of the Escrowed Property from the Escrow Charge.

The Escrow Agreement and the Escrow Charge will be governed by, and construed in accordance with, the laws of England and Wales.

No provisions of the Escrow Agreement, the Escrow Charge, the Equity Commitment Letter and, to the extent such provisions relate to the Issuer's obligation to redeem the notes in a Special Mandatory Redemption, the Indenture, may be waived or modified in any manner materially adverse to the holders without the consent of holders of a majority of the outstanding Notes. By accepting a Note, each holder will be deemed to have agreed to be bound by the terms of the Escrow Agreement and have irrevocably authorized the Trustee to take all the actions set forth in the Escrow Agreement without the need for further direction from them under the Indenture.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Exchange and the rules of the Exchange so require, the Issuer will notify the Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such special mandatory redemption.

Security

General

On the Issue Date, the Notes will be secured, subject to the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, by security interests granted on an equal and ratable first priority basis over:

- the Escrow Charge;
- security over the receivables owing to the Parent or any other indirect parent entity in respect of any structural intercompany loans made by it to the Issuer (only to the extent applicable in respect of receivables that will be outstanding on and following the Acquisition Closing Date);
- a pledge over the shares in the Issuer (the "*Issuer Share Pledge*"); and
- security with respect to the Issuer's material bank accounts (if any) in Germany and Luxembourg,

  (together, the "*Issue Date Collateral*").

At the earlier of (i) the date falling five business days after the Acquisition Closing Date and (ii) the date on which the Issuer grants such security for the benefit of the Super Senior Facilities, the Issuer will grant a pledge over the shares held by the Issuer in the Target (the "*Post-Acquisition Date Collateral*"). Within 30 business days following the Control Date, the Notes will, subject to the Agreed Security Principles, be secured by:

- a pledge over each Initial Guarantor's material bank accounts in certain covered jurisdictions;
- security over any material structural intercompany receivables owed by any Initial Guarantor; and
- pledges over the shares in each Initial Guarantor,

  (collectively the "*Post-Control Date Collateral*" and together with the Issue Date Collateral and the Post-Acquisition Date Collateral, the "*Collateral*").

Subject to certain conditions, including compliance with the covenants described under "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Covenants—Limitation on Liens*," the Issuer and its Restricted Subsidiaries are permitted to grant security over the Collateral (other than the Escrowed Property) in connection with future issuances of Indebtedness or Indebtedness of the Restricted Subsidiaries, including any Additional Notes issued by the Issuer as permitted under the Indenture and the Intercreditor Agreement. See "*Risk Factors—Risks Related to the Notes and the Collateral*."

Any other security interests that may in the future be granted to secure obligations under the Notes, any Guarantee and the Indenture would also constitute "Collateral." All Collateral (other than the Escrowed Property) will be subject to the operation of the Agreed Security Principles and any Permitted Collateral Liens.

Notwithstanding the foregoing and the provisions of the covenant described below under "*—Certain Covenants—Future Guarantees*," certain property, rights and assets may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles. Pursuant to the Agreed Security Principles, a guarantee or security may not be given, or may be limited. The following is a non-exhaustive summary of certain terms of the Agreed Security Principles which include, among others:

- general legal and statutory limitations, regulatory restrictions, financial assistance, corporate benefit, capital maintenance, equity subordination, fraudulent preference, "interest stripping," "controlled foreign corporation," transfer pricing or "thin capitalization" rules, tax restrictions, retention of title claims and similar principles may prohibit, limit or otherwise restrict the ability of the Issuer or any Restricted Subsidiary to provide a guarantee or security or may require that the guarantee or security be limited by an amount or otherwise. If any such limit applies, the guarantees and security provided (or the enforceability thereof) will be limited to the maximum amount which the Issuer or the relevant Restricted Subsidiary may provide, having regard to applicable law (including any jurisprudence or case law) and subject to fiduciary duties of management. A guarantee or security interest will not be required if, or its enforceability will be limited if and to the extent that, giving such guarantee or taking such security would expose the directors, officers or employees of the relevant company to a risk of personal liability. The Issuer will use reasonable endeavors to assist in demonstrating that adequate corporate benefit accrues to each Guarantor;

- certain supervisory board, advisory board, works council, regulator or regulatory board (or equivalent), or another external body's or person's consent may be required to enable the Issuer or a Restricted Subsidiary to provide a guarantee or security. Such guarantee and/or security shall not be required unless requested by the agent for the lenders under the Super Senior Facilities Agreement prior to signing any applicable Security Document or supplemental indenture and such consent has been received provided that reasonable endeavors have been used by the Issuer or relevant Restricted Subsidiary (without incurring material cost) to obtain the relevant consent to the extent permissible by law and regulation and such consent has no material adverse impact on relationships with third parties;
- a key factor in determining whether or not a guarantee or security shall be taken (and the extent of the perfection and/or registration of such security) is the applicable time and cost to the Issuer and its Restricted Subsidiaries (including adverse effects in relation to taxes, interest deductibility and stamp duty, notarization, translation costs and registration fees), which shall not be disproportionate to the benefit accruing to the Lenders of obtaining such guarantee, security or perfection;
- the maximum guaranteed or secured amount may be limited to minimize stamp duty, notarization, registration or other applicable fees, taxes and duties where the benefit of increasing the guaranteed or secured amount is disproportionate to the level of such fee, taxes and duties (and in any event the maximum aggregate amount payable by the Issuer and its Restricted Subsidiaries in respect of fees, costs, expenses, disbursements and VAT relating to the provision of guarantees and security shall be limited to an amount to be agreed between the Security Agent and the Issuer);
- it is acknowledged that in certain jurisdictions, it may be impossible, impractical or disproportionately costly to create guarantees or security over certain categories of assets, in which event guarantees or security will not be taken over such assets;
- any assets or companies subject to third-party arrangements which may prevent those assets from being charged or assigned or those companies from giving a security or guarantee (or assets which, if charged or assigned, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of the Issuer or a Restricted Subsidiary in respect of those assets or require the Issuer or any Restricted Subsidiary to take any action materially adverse to their interests) will be excluded from any relevant Security Document and any requirement to give security or guarantee provided that reasonable endeavors (without incurring material cost) to obtain consent to charging any such assets shall be used by the Issuer and the Guarantors if the relevant asset is material and if, in the view of the Issuer (acting reasonably), taking such security will have no material adverse impact on commercial relationships with third parties or otherwise force the Issuer, the relevant Guarantor or the Issuer and its Restricted Subsidiaries to incur any material cost;
- the Issuer and its Restricted Subsidiaries will not be required to give guarantees or enter into Security Documents if (A) it is not within their legal capacity to do so or (B) it would conflict with the fiduciary duties of their directors, officers or employees, contravene any legal or regulatory prohibition, *bona fide* contractual restriction or regulatory condition or result in a risk of personal or criminal liability on the part of any director, officer or employee provided that the Issuer or relevant Restricted Subsidiary shall use reasonable endeavors to overcome any such obstacle without incurring material cost;
- the giving of a guarantee, the granting of security or the perfection of security granted will not be required if it would be unduly burdensome or restrict the ability of the Issuer or relevant Guarantor to conduct its operations and business in the ordinary course or as otherwise permitted by the Super Senior Facilities Agreement and the "finance documents" thereunder (including, without limitation, notification of receivables security to third party debtors or a charge over bank accounts until an enforcement event has occurred and is continuing), and any requirement under these Agreed Security Principles to seek the consent of any person or to take or not take any other action shall be subject to this paragraph;
- unless granted under a global security document governed by the law of the jurisdiction of the Issuer or a Guarantor or under English law, all security (other than share security over its guarantor

company subsidiaries, where applicable) shall be governed by the law of and secure assets located in the jurisdiction of incorporation or formation of the Issuer or that Guarantor;

- no title investigations or other diligence on assets will be required and no title insurance will be required;
- security or guarantees shall only be required to be given by or in respect of an entity or any assets incorporated or located, as the case may be, in the United States of America, Germany, the United Kingdom, the Netherlands, France, Switzerland, Luxembourg and any other jurisdiction in which a borrower under the Super Senior Facilities Agreement is incorporated (or over the shares of any entity incorporated in such jurisdiction);
- no guarantee or security will be required from or over, or over the assets of, any joint venture or similar arrangement or any minority interest;
- no perfection action will be required in jurisdictions where the Issuer and the Guarantors are not incorporated or formed;
- where a class of assets to be secured includes material and immaterial assets, if the cost of granting security over the immaterial assets is disproportionate to the benefit of such security, security will be granted over the material assets only;
- in no event shall control agreements or perfection by control or similar arrangements be required with respect to any assets (including, but not limited to, deposit or securities accounts and uncertificated shares);
- other than a general security agreement and related filing, no perfection, filing or other action will be required with respect to assets of a type not owned by the Issuer and its Restricted Subsidiaries;
- no security will be granted over escrow accounts in connection with an acquisition, a disposal or an offering of debt securities and share capital increase accounts;
- other than over certain material structural receivables, no security will be granted over intercompany receivables or receivables that are made as part of the cash pooling system of the Issuer and its Restricted Subsidiaries or the Target Group;
- no security will be granted over parts, stock, moveable plant, equipment or receivables if it would require labelling, segregation or periodic listing or specification of such parts, stock, moveable plants, equipment or receivable;
- perfection will not be required in respect of (A) vehicles and other assets subject to certificates of title or (B) letter of credit rights and tort claims (or the local law equivalent);
- no security will be required over any assets subject to security in favor of a third party or any cash constituting regulatory capital or customer cash (and such assets or cash shall be excluded from any relevant Security Document); and
- obligations in respect of the Notes Documents will not be guaranteed by any CFC, any FSHCO or any direct or indirect Subsidiary of a CFC. In addition, no security will be granted over any (i) any assets of any CFC, of any FSHCO or of any direct or indirect Subsidiary of a CFC or (ii) equity interests of a CFC or of a FSHCO, other than 65% of the total outstanding voting equity interests and 100% of the total outstanding non-voting equity interests of such CFC or FSHCO.

As described above, all of the Collateral (other than the Escrowed Property) will also secure the liabilities under the Super Senior Facilities, as well as certain future Hedging Obligations and any Additional Notes and may also secure certain future indebtedness; *provided*, *however*, that the lenders under the Super Senior Facilities, counterparties to certain future Hedging Obligations and creditors of additional Indebtedness that may be secured on a super-priority basis, will receive the proceeds from the enforcement of the Collateral (other than the Escrowed Property) in priority to the Holders of the Notes and any Additional Notes. See "*—Priority*." See also, "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Pursuant to the Intercreditor Agreement, creditors under the Super Senior Facilities Agreement and certain hedging obligations are entitled to be repaid with the proceeds of the Collateral sold in any enforcement procedure in priority to the Notes.*"

The lenders under the Super Senior Facilities and/or counterparties to certain future Hedging Obligations and any Additional Notes may also benefit from security which does not secure the Notes offered hereby.

No appraisals of the Collateral have been made in connection with this Offering of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—It may be difficult to realize the value of the Collateral*."

Priority

The relative priority with regard to the security interests in the Collateral (other than the Escrowed Property) that are created by the Security Documents (the "*Security Interests*" and each a "*Security Interest*," other than the Escrow Charge, as applicable) as between (a) the lenders under the Super Senior Facilities, (b) the counterparties under certain future Hedging Obligations (if any) and (c) the Trustee, the Security Agent and the Holders of the Notes under the Indenture, respectively, is established by the terms of the Intercreditor Agreement, the Indenture, the Security Documents and the security documents relating to the Super Senior Facilities and such Hedging Obligations (if any) which provide, among other things, that the obligations under the Notes will receive proceeds on enforcement of security over the Collateral (other than the Escrowed Property) only after the claims of the Super Senior Facilities and such future Hedging Obligations and any future Indebtedness permitted to be secured on a super-priority basis in accordance with the terms of the Indenture and the Intercreditor Agreement, are satisfied.

See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." In addition, pursuant to the Intercreditor Agreements or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged or assigned to secure other Indebtedness. See "*—Release of Liens*," "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

Security Documents

Under the Security Documents (other than the Escrow Charge), security will be granted over the Collateral to secure, *inter alia*, the payment when due of the Issuer's payment obligations under the Notes and the Indenture (including by virtue of a parallel debt arrangement set forth in the Intercreditor Agreement). The Security Documents (other than the Escrow Charge) will be entered into among, *inter alios*, the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents, the Security Agent will act in its own name, but for the benefit of the secured parties (including itself, the Trustee and the Holders of the Notes from time to time) and, in the case of certain accessory security interests, as creditor under the parallel debt arrangement. Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the Super Senior Facilities and the counterparties under certain Hedging Obligations, if any, in relation to the Security Interests created in favor of such parties.

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by the applicable laws, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the Holders of the Notes. As a consequence of such contractual provisions, Holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Security Agent under the Indenture. To the extent permitted by the applicable laws and subject to the terms of the Intercreditor Agreement and the Indenture, Holders of the Notes will, in certain circumstances, be entitled to direct the Trustee to provide instructions to the Security Agent for the enforcement of security over the Collateral. Under the Intercreditor Agreement, the Security Agent will also act on behalf of the lenders under the Super Senior Facilities and the counterparties under certain hedging agreements, if any, in relation to the Security Interests in favor of such parties.

The Indenture will provide that, subject to the terms thereof and of the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged. However, the Security Interests may be released under certain circumstances as provided under "*—Release of Liens*" below. The validity and enforceability of the Security Interests will be subject to, *inter alia*, the limitations described in "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the

Security Interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Related to the Guarantees, the Notes and the Collateral*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

Enforcement of Security Interest

The Security Documents will provide that the rights under the Security Documents must be exercised by the Security Agent. Since the Holders are not a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Security Agent or the Trustee (as applicable).

To the extent permitted by the applicable laws and subject to the terms of the Intercreditor Agreement and the Indenture, Holders of the Notes will, in certain circumstances, be entitled to direct the Trustee to provide instructions to the Security Agent for the enforcement of security over the Collateral. The Indenture and the Intercreditor Agreement will restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Super Senior Facilities. These limitations are described under "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*." The ability to enforce may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The creditors under the Super Senior Facilities, the counterparties to certain Hedging Obligations (if any) secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, appointed the Security Agent to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents. The creditors under the Super Senior Facilities, the counterparties to certain Hedging Obligations (if any) secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, authorized the Security Agent to: (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that the Issuer and the Trustee will be authorized (without any further consent of the Holders of the Notes) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Indenture will also provide that each Holder of the Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement and any Additional Intercreditor Agreements;

(2) agreed to be bound by the provisions of the Intercreditor Agreement and the Security Documents;

(3) agreed and acknowledged that the Security Agent will administer the Collateral (other than the Escrowed Property) in accordance with the Intercreditor Agreement, the Indenture and the Security Documents; and

(4) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement.

Please see the sections entitled "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Intercreditor Agreement will provide that a common Security Agent, who will also serve as the security agent in relation to the Super Senior Facilities Agreement and any additional secured debt permitted to be incurred under the Indenture and the Super Senior Facilities Agreement, will act only as provided for in the Intercreditor Agreement*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under "*—Certain Covenants—Additional Intercreditor Agreements*."

Release of Liens

The Issuer and its Subsidiaries and any provider of Collateral will be entitled to the release of the Security Interests in respect of the Collateral (other than, except pursuant to clause (9) below, the Escrowed Property) under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral (other than the Issuer Share Pledge) to (a) any Person other than the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or is otherwise permitted in accordance with the Indenture or (b) any Restricted Subsidiary, *provided* that this clause (b) shall not be relied upon in the case of a transfer of capital stock or of accounts receivable to a Restricted Subsidiary (except to a Receivables Subsidiary) unless the relevant property and assets remain subject to, or otherwise become subject to a Lien in favor of the Notes following such sale or disposal;

(2) in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under "*—Amendments and Waivers*";

(4) automatically without any action by the Trustee, if the Lien granted in favor of the Indebtedness that gave rise to the obligation to grant the Lien over such Collateral is released and such Lien is not otherwise required to be granted in favor of the Notes as provided under "*—Certain Covenants—Limitations on Liens*";

(5) upon payment in full of principal, interest and all other obligations on the Notes or defeasance or discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(6) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock of such Unrestricted Subsidiary;

(7) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;

(8) pursuant to a Permitted Reorganization or (other than the Issuer Share Pledge) in the case of a merger, consolidation or other transfer of assets in compliance with the covenant described below under "*—Certain Covenants—Merger and Consolidation*";

(9) with respect to the Liens over the Escrowed Property, in accordance with the terms of the Escrow Agreement and the Escrow Charge; or

(10) as may be permitted by the covenant described under "*—Certain Covenants—Impairment of Security Interest*" or as otherwise provided in the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement.

At the request of the Issuer, the Security Agent and the Trustee (if required) will take all necessary action required to effectuate any release of Collateral securing the Notes and the Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release).

Optional Redemption

Except as described below and except as described under "*Redemption for Taxation Reasons*," the Notes are not redeemable until July 15, 2022.

At any time prior to July 15, 2022, the Issuer may redeem up to 40% of the original principal amount of the Notes (including the original principal amount of any Additional Notes) with the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 105.75% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the applicable redemption date (subject to the rights of Holders of Notes to receive interest on the relevant interest payment date); *provided*, however, that:

(1) at least 60% of the original principal amount of the Notes (including the original principal amount of any Additional Notes) remains outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering upon not less than 10 nor more than 60 days' prior notice.

At any time prior to July 15, 2022, the Issuer may redeem in each calendar year up to 10% of the original principal amount of the Notes (including the original principal amount of any Additional Notes) upon not less than 10 nor more than 60 days' notice at a redemption price equal to 103.000% of the aggregate principal amount of the Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the applicable redemption date (subject to the rights of Holders of Notes to receive interest on the relevant interest payment date).

On and after July 15, 2022, the Issuer may redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on July 15 of the years indicated below:

Year	Redemption Price
2022	102.875%
2023	101.438%
2024 and thereafter	100.000%

In addition, prior to, July 15, 2022, the Issuer may redeem all or, from time to time, a part of the Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the Notes, plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent. If such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed, *provided* that in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person. In no event shall the Trustee be responsible for monitoring, or charged with knowledge of, the maximum aggregate amount of the Notes eligible under the Indenture to be redeemed.

General

Subject to compliance with the covenants contained in the Indenture, we and our Affiliates may at any time and from time to time repurchase Notes. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices as well as with such consideration as the Issuer or any such Affiliates may determine. Notice of redemption will be provided as set forth under "*—Selection and Notice*" below.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

Sinking Fund

Other than pursuant to a Special Mandatory Redemption, the Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Post Tender Redemption

In connection with any tender offer for the Notes, if Holders of Notes of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tendered and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem the Notes that remain outstanding in whole, but not in part, following such purchase, at a price (excluding any early tender premium or similar payment) equal to the price offered to each other Holder of Notes in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding such redemption date.

Redemption at Maturity

On July 15, 2025 the Issuer will redeem the Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date.

Selection and Notice

If less than all of the Notes is to be redeemed at any time, the Paying Agent or the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, on a *pro rata* basis by use of a pool factor; *provided, however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. Neither the Trustee, the Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

If and so long as the Notes are listed on the Official List of The International Stock Exchange Authority Limited and to the extent that the rules and regulations of The International Stock Exchange Authority Limited (the "*Authority*") so require, the Issuer shall notify the Authority of such redemption and, in addition to such publication, not less than 10 days nor more than 60 days prior to the redemption, the Issuer will mail, or at the expense of the Issuer, cause to be mailed, such notice to Holders. All notices to Holders will be validly given if mailed to them at their respective addresses in the register of Holders, if any, maintained by the Registrar. For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream in substitution for the aforesaid mailing to Holders.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "—*Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in an official written position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

a Payor (as defined below) is, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts with respect to the Notes or any Guarantee (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts) and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be announced and become effective on or after the Issue Date (or if the applicable Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a change or amendments occurring after the time such successor Person becomes a party to the Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "—*Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given: (a) earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts; and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee: (i) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied; and (ii) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the relevant Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion of tax counsel as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (each, a "*Payor*") in respect of the Notes or with respect to any Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) Germany or any political subdivision or Governmental Authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on any such Note or any Guarantee is made by or on behalf of the Payor, or any political subdivision or governmental authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which a Payor is incorporated, organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1), (2) and (3) a "*Relevant Taxing Jurisdiction*"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor or the Paying Agent under or with respect to any Note or any Guarantee, including, without limitation, payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or Guarantee in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident, national or domiciliary of, or carrying on a business for tax purposes, or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership, holding or sale of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Guarantee;

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor or any other person through whom payment can be made addressed to the Holder, after reasonable notice by the Payor (at least 60 days before any such withholding or deduction would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity or connection with the Relevant Tax Jurisdiction of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax but, only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(3) any Taxes, to the extent that such Taxes were imposed as a result of the presentation of the Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder;

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on the Notes or with respect to any Guarantee;

(5) any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other governmental charge;

(6) any Taxes imposed in connection with a Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union or the United Kingdom; or

(7) any combination of the items (1) through (6) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Notes directly.

Notwithstanding any other provision of the Indenture, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "*FATCA Withholding*"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

The Payor will (i) make or cause to be made any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes or, if such tax receipts are not reasonably available, other reasonable evidence of such payments as soon as reasonably practicable to the Trustee and copied to the Paying Agent. Such copies or other evidence shall be made available to the Holders upon request and will be made available at the offices of the Paying Agent.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Guarantee, at least 45 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent, an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 30 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee and the Paying Agent shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this "*Description of the Notes*" there is mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a redemption of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or any Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay and indemnify the Holder or beneficial owner for any present or future stamp, issue, registration, transfer, court or documentary taxes, or similar charges or levies (including any related interest, penalties or additions to tax) or any other excise, property or similar taxes or similar charges or levies (including any related interest, penalties or additions to tax) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, or registration of any Notes, any Guarantee, the Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Notes after this Offering) or the receipt of any payments with respect thereto or any such taxes or charges or levies (including any related interest, penalties, or additions to tax) imposed by any jurisdiction as a result of, or in connection with, the enforcement of the Notes or any Guarantee (limited, solely in the case of the receipt of any payments with respect thereto, to taxes or similar charges or levies imposed in a Relevant Taxing Jurisdiction that are not excluded under clauses (1) through (3) above or clauses (5) through (7) above or any combination thereof).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and any transfer by a Holder or beneficial owner of its Notes, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is incorporated, organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*—Change of Control*," each Holder will have the right to require the Issuer to repurchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obligated to repurchase the Notes as described under this heading "*—Change of Control*," in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes of such series as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "*Change of Control Offer*") to each Holder of Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) and the record date (the "*Change of Control Payment Date*");

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any, *provided* that each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

If and so long as the Notes are listed on the Official List of The International Stock Exchange Authority Limited and to the extent that the rules and regulations of The International Stock Exchange Authority Limited so require, the Issuer will notify the Authority of any Change of Control Offer.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made. The closing date of any such Change of Control Offer made in advance of a Change of Control may be changed to conform to the actual closing date of the Change of Control, provided that such closing date is not earlier than 30 days nor later than 60 days from the date the Change of Control Offer notice is mailed as described in the second paragraph of this section.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

If Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer and the Issuer, or any third-party making a Change of Control Offer in lieu of the Issuer as described above, purchases all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right, upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes that remain outstanding following such purchase at a price in cash equal to 101% of the aggregate principal amount of such Notes, plus accrued and unpaid interest, if any, thereon, to, but excluding the date of redemption.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control may require a mandatory prepayment of certain Indebtedness. In addition, certain events that may constitute a change of control under certain Indebtedness and may require a mandatory prepayment of such Indebtedness may not constitute a Change of Control under the Indenture. Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—We may not be able to repay the Notes, when due or to repurchase the Notes when we are required to do so pursuant to certain events constituting a Change of Control or otherwise, and the Change of Control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events.*"

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Acknowledgment of Control Limitations

Prior to the Control Date: (a) to the extent the Issuer undertakes under the Notes Documents to procure compliance by members of the Target Group with any term of any Notes Documents (including, for the avoidance of doubt, in respect of the covenant described under the heading "—*Reports*") or where any term of any Notes Document is expressed directly or indirectly to apply to a member of the Target Group, such term, undertaking or requirement will be subject to all limitations and restrictions on the influence the Issuer may exercise as a shareholder of the Target (or the access it has to the relevant information in its capacity as shareholder of the Target) in accordance with mandatory German corporate law. However, the Issuer shall not be obliged to exercise its influence in a way that would legally oblige the Issuer to compensate or to offer any compensation in accordance with the German Stock Corporation Act (including, but not limited to, Sections 311 *et seq.* German Stock Corporation Act) (and, for the avoidance of doubt, no breach of any such term, undertaking or requirement, and no Default or Event of Default, shall occur if having exercised all such influence within the limits set forth above, the relevant term, undertaking or requirement is nevertheless breached); and (b) any undertaking given directly by a member of the Target Group shall only apply in respect of such member of the Target Group and its Subsidiaries and shall be given towards the Trustee and/or the Security Agent only.

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence and after giving *pro forma* effect thereto (including pro forma application of the proceeds thereof):

(1) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.0 to 1.0; and

(2) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Net Leverage Ratio for the Issuer's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred would have been no greater than 3.00 to 1.0.

Restricted Subsidiaries of the Issuer that are not Guarantors may only incur Indebtedness pursuant to the first paragraph of this covenant if the aggregate principal amount of outstanding Indebtedness, when taken together with any Refinancing Indebtedness in respect thereof, incurred by Restricted Subsidiaries of the Issuer that are not Guarantors pursuant to the first paragraph of this covenant (calculated at the time of such incurrence and after giving effect to the incurrence of such Indebtedness and the application of proceeds thereof, on a pro forma basis) would not exceed an amount equal to the greater of €20.0 million and 23% of Consolidated EBITDA.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness ("*Permitted Debt*"):

(1) Indebtedness Incurred pursuant to:

  (a) any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding the greater of (i) €70.0 million and (ii) 81% of Consolidated EBITDA *plus*

  (b) any Guarantee Facilities,

  plus in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture; or

  (b) without limiting the covenant described under "—*Limitation on Liens*," Indebtedness arising by reason of any Lien granted by or applicable to any Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided*, *however*, that:

(a) in the case of Indebtedness owing by the Issuer to any Restricted Subsidiary that is not a Guarantor (except in respect of intercompany liabilities Incurred in the ordinary course of business or in connection with cash pooling or cash management or tax positions of the Issuer and its Restricted Subsidiaries), such Indebtedness shall be (subject to the Agreed Security Principles and the terms of the Intercreditor Agreement) unsecured and expressly subordinated in right of payment to the prior payment in full in cash of all obligations with respect to the Notes, in the case of the Issuer, and the respective Guarantee, in the case of a Guarantor, in each case pursuant to and to the extent required by the Intercreditor Agreement or any Additional Intercreditor Agreement; and

(b) (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and (ii) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary of the Issuer, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by the Notes (other than any Additional Notes) outstanding on the Issue Date, the related Guarantees, and any related "parallel debt" obligations under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, (b) any Indebtedness (other than Indebtedness Incurred under the Super Senior Facilities and Indebtedness described in clause (3) of this paragraph) outstanding on the Issue Date, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant; (d) Management Advances and (e) any Indebtedness of the Target Group outstanding on the Acquisition Closing Date after giving effect to the Transactions;

(5) Indebtedness of any Person (a) outstanding on the date on which such Person becomes a Restricted Subsidiary or any Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (b) Incurred to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which any Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided*, *however*, that Indebtedness Incurred pursuant to this paragraph (5) is in an aggregate amount not to exceed (x) the greater of (i) €25.0 million and (ii) 29% of Consolidated EBITDA plus (y) unlimited additional Indebtedness to the extent that at the time of such acquisition or other transaction (A) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio in the first paragraph of this covenant after giving *pro forma* effect to the relevant acquisition and the Incurrence of such Indebtedness pursuant to this clause (5) or (B) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(7) Indebtedness consisting of (a) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or Indebtedness otherwise incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7)(a) and then outstanding, will not exceed at any time outstanding the greater of (x) €40.0 million and (y) 46% of Consolidated EBITDA or (b) obligations under any Operating Lease;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement, *provided*, *however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business, (d) guarantees issued to a landlord in respect of leased real property and guarantees and counter-indemnities in favor of financial institutions that have guaranteed real property rent obligations, in each case, in the ordinary course of business, (e) guarantees to a trustee of any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust; provided that the total aggregate amount outstanding under this clause (e) does not exceed the greater of €2.0 million and 2% of Consolidated EBITDA and (f) any Bank Products or related netting or setting off arrangements in the ordinary course of business;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations including in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that, in the case of a disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within 10 Business Days of Incurrence;

(b) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries; and

(d) Indebtedness incurred by a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case, incurred or undertaken in the ordinary course of business;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of €25.0 million and 29% of Consolidated EBITDA; provided that Restricted Subsidiaries of the Issuer that are not Guarantors may only incur Indebtedness pursuant to this clause (11) in an amount not to exceed the greater of €15.0 million and 18% of Consolidated EBITDA;

(12) Indebtedness Incurred in a Qualified Receivables Financing;

(13) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, the Initial Equity Contribution or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, the Initial Equity Contribution or

an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" to the extent the Issuer and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" in reliance thereon;

(14) customer deposits and advance payments received in the ordinary course of business from customers for goods and services purchased in the ordinary course of business;

(15) Indebtedness under local Credit Facilities in an aggregate principal amount not to exceed, at any time outstanding, the greater of €10.0 million and 12% of Consolidated EBITDA; and

(16) Indebtedness under daylight borrowing facilities incurred in connection with any refinancing of Indebtedness or incurrence of Indebtedness or other transaction, payment or incurrence not prohibited hereunder (including, without limitation, by way of set-off or exchange), so long as any such Indebtedness is repaid within 5 Business Days of the date on which such Indebtedness is incurred.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and third paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the third paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding on the Acquisition Closing Date under the Super Senior Facilities shall be deemed initially Incurred under clause(1) of the third paragraph of this covenant and not the first paragraph or clause (4)(b) of the third paragraph of this covenant, and may not be reclassified;

(3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11) or (15) of the third paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(7) for the purposes of determining "Consolidated EBITDA" (x) pro forma effect shall be given to Consolidated EBITDA on the same basis for calculating the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries and (y) in relation to clause (1) of the third paragraph of this covenant, Consolidated EBITDA shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or the date on which new Indebtedness is Incurred (in the case of term facilities) and for the period of the most recent four consecutive fiscal quarters ending prior to such date for which such internal consolidated financial statements of the Issuer are available; and

(8) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*—Limitation on Indebtedness*." Except as otherwise specified, the amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness. For purposes of determining compliance with this covenant, with respect to Indebtedness Incurred under a Credit Facility, reborrowings of amounts previously repaid pursuant to "cash sweep" provisions or any similar provisions under a Credit Facility that provide that Indebtedness is deemed to be repaid daily (or otherwise periodically), including any revolving indebtedness, shall only be deemed for purposes of this covenant to have been Incurred on the date such Indebtedness was first Incurred and not on the date of any subsequent reborrowing thereof.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under "*—Limitation on Indebtedness*," the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Issuer, first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that; (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro- denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded, so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Acquisition Closing Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Neither the Issuer nor any Guarantor will incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Guarantee, if any, on substantially identical terms; *provided*, *however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness. No Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

(i) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; and

(ii) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a pro rata basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to the scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the third paragraph of the covenant described under "*—Limitation on Indebtedness*");

(4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or

(5) make any Restricted Investment in any Person,

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "*Restricted Payment*"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default or Event of Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the Fixed Charge Coverage Ratio contained in the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a pro forma basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (10) and (16) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than

(w) Subordinated Shareholder Funding or Capital Stock, in each case sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause of the second succeeding paragraph and (z) the Initial Equity Contribution, Excluded Contributions or Parent Debt Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph, and (y) the Initial Equity Contribution, Excluded Contributions or Parent Debt Contributions;

(iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date;

(v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "Permitted Investment"; and

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary,

provided, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in the foregoing clause (iv), (v) or (vi).

The fair market value of property or assets other than cash covered by the preceding two sentences shall be the fair market value thereof as determined in good faith by an officer of the Issuer, or, if such fair market value exceeds the greater of €20.0 million and 23% of Consolidated EBITDA, by the Board of Directors.

The foregoing provisions will not prohibit any of the following (collectively "*Permitted Payments*"):

(1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through the Initial Equity Contribution, an Excluded Contribution or Parent Debt Contribution) of the Issuer; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as

determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the first paragraph of this covenant and clause (6) of this paragraph and shall not be considered Excluded Contributions or Net Cash Proceeds from a Public Equity Offering for purposes of the "Optional Redemption" provisions of the Indenture;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above, and that, in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness, Disqualified Stock or Preferred Stock of a Restricted Subsidiary:

   (a) (i) from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*" below, but only if the Issuer shall have first complied with the terms described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

   (b) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under "*—Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

   (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (a) €2.0 million plus €2.0 million multiplied by the number of calendar years that have commenced since the Issue Date, *plus* (b) the amount of Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares, the Initial Equity Contribution or Parent Debt Contribution) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds have not otherwise been designated as Excluded Contributions and are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant or clause (a) of this paragraph;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "—*Limitation on Indebtedness*";

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

  (a) the amounts required for any Parent to pay, any Parent Expenses or any Related Taxes; or

  (b) amounts constituting or to be used for purposes of making payments (i) in connection with the Transactions or disclosed in the Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5), (7) and (11) of the second paragraph of the covenant described under "—*Limitation on Affiliate Transactions*";

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or the Initial Equity Contribution or a Parent Debt Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (A) 7% of the Market Capitalization and 7% of the IPO Market Capitalization, *provided* that in the case of this clause (b)(A) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 2.25 to 1.0 or (B) 5% of the Market Capitalization and 5% of the IPO Market Capitalization; *provided* that in the case of this clause (b)(B) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 2.50 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of €25.0 million and 29% of Consolidated EBITDA;

(12) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments (or net cash proceeds therefrom) previously made under this clause (13);

(14) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(15) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Capital Stock (other than the Issuer or any Restricted Subsidiary) on a no more than pro rata basis;

(16) so long as no Default or Event of Default has occurred and is continuing (or would result from), any Restricted Payment; provided that the Consolidated Net Leverage Ratio does not exceed 2.00 to 1.0 on a *pro forma* basis after giving effect to any such Restricted Payment;

(17) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares issued after the Issue Date; and (ii) the declaration and payment of dividends or other distributions to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares issued after the

Issue Date; *provided* that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (17) shall not exceed the Net Cash Proceeds received by the Issuer or a Restricted Subsidiary or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock, the Initial Equity Contribution, a Parent Debt Contribution or an Excluded Contribution) of the Issuer or a Restricted Subsidiary or contributed as Subordinated Shareholder Funding, as applicable, from the issuance or sale of such Designated Preference Shares (and provided that, to the extent so applied, the Net Cash Proceeds, from such sale of Designated Preference Shares or such contribution will be excluded from clause (c)(ii) and (c)(iii) of the second preceding paragraph);

(18) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(19) advances or loans to (or to any person for or in respect of) (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Subordinated Shareholder Funding (or similar obligations) or Capital Stock of the Issuer or any Parent (other than Disqualified Stock), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Subordinated Shareholder Funding (or similar obligations) or Capital Stock of the Issuer or any Parent (other than Disqualified Stock); provided that the total aggregate amount of Restricted Payments made under this clause (19) does not exceed €2.0 million in any calendar year;

(20) dividends, loans, advances, payments or other distributions in amounts required for a direct or indirect parent of the Issuer to pay interest, premium, catch-up payments, make-whole amounts and break costs in respect of Indebtedness, the net cash proceeds of which have been contributed to the Issuer or any of its Restricted Subsidiaries and that has been guaranteed by, or is otherwise considered Indebtedness of, the Issuer or any of its Restricted Subsidiaries incurred in accordance with the covenant described under "*—Limitation on Indebtedness*;"

(21) payments of guaranteed dividends or compensation payments, in each case legally required to be made to any shareholder (other than the Issuer or any of its Subsidiaries) of the Target in connection with a domination and/or profit and loss pooling agreement (*Beherrschungs- und/oder Gewinnabführungsvertrag*) entered into between the Issuer as dominating entity and the Target as dominated entity or any Squeeze Out; and

(22) any dividends, repayments of equity, reductions of capital, loans or any other distribution (a "*tax distribution*") by the Issuer or any Restricted Subsidiary to any Parent that is a member of the same fiscal unity (*steuerliche Organschaft*) for German corporate income tax and trade tax purposes; *provided* that (a) where payments under a German fiscal unity are required to be made by any Parent to cover Taxes on a consolidated basis on behalf of the Issuer and the Restricted Subsidiaries, a tax distribution shall be made in cash to such Parent in accordance with the definition of Permitted Tax Distribution; and (b) the remainder of such tax distribution in excess of the amount permitted pursuant to clause (a) above shall not be paid to such Parent in cash, but instead will be converted into an intercompany loan made by such Parent Entity to the Issuer which constitutes Subordinated Liabilities (as defined in the Intercreditor Agreement).

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by an Officer or the Board of Directors of the Issuer acting in good faith.

For the purposes of calculating "Consolidated EBITDA" *pro forma* effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries.

If any Investment or Restricted Payment would be permitted pursuant to one or more provisions described above and/or one or more of the exceptions contained in the definition of "Permitted Payment" or

"Permitted Investment" (or any other definition used in this covenant or such definitions), the Issuer may, at its sole discretion, divide and classify such Investment or Restricted Payment in any manner that complies with this covenant or such definition and may later reclassify in whole or in part any such Investment or Restricted Payment (based on circumstances existing on the date of such reclassification) in whole or in part at any time, so long as the Investment or Restricted Payment (as so reclassified) would be permitted to be made in reliance on the applicable exception as of the date of such reclassification.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Issuer), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Guarantee of the Notes in the case of Liens of a Guarantor) are (subject to the Agreed Security Principles) directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b), in the case of any property or asset that constitutes Collateral (other than Escrowed Property), Permitted Collateral Liens.

Any such Lien created in favor of the Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release of Liens*."

For the purposes of determining compliance with this covenant and for the purposes of the definitions of Permitted Lien and Permitted Collateral Lien, in the event that a Lien meets the criteria of more than one of the categories or exceptions contained in the definition of, as the case may be, "Permitted Lien" or "Permitted Collateral Lien" (or any other definition used in this covenant or such definitions), as applicable, the Issuer may, at its sole discretion, divide and classify such Lien in any manner that complies with this covenant or such definition and may later divide and/or reclassify any such Lien at any time and in any manner that complies with this covenant or such definition.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to the Issuer or a Restricted Subsidiary or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(B) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) the Indenture, the Notes, any Credit Facility (including the Super Senior Facilities), the Security Documents, any Guarantee and any Intercreditor Agreement and Additional Intercreditor Agreement, (b) any other agreement or instrument with respect to the Issuer, in each case of foregoing sub-clauses (a) and (b) in effect at or entered into on the Issue Date (including the Indenture, the Notes, the Intercreditor Agreement, the Security Documents or any related security documents) or (c) any other agreement or instrument with respect to the Target Group, in each case, in effect at or entered into or committed as at the Acquisition Closing Date; and (in all cases) any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of any such agreements or arrangements referred to in this clause (1)

provided that such encumbrances and restrictions are not materially more restrictive, taken as a whole, with respect to dividend and other payment restrictions than those contained in those agreements as at the Issue Date (with respect to the Issuer) or the Acquisition Closing Date (with respect to the Target Group), as applicable (as determined in good faith by the Issuer);

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Issuer (as defined under "*—Merger and Consolidation*"), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Issuer;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(4) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all, or substantially all, the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "—*Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Indenture or the Super Senior Facilities and the Escrow Agreement, together with the security documents associated therewith, or the Intercreditor Agreement, in each case, as in effect on the Issue Date or, with respect to the security documents, the date on which they are entered into, or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer) or where the Issuer determines that such encumbrance or restriction will not adversely affect in any material respect the Issuer's ability to make principal or interest payments on the Notes or (b) constituting an Additional Intercreditor Agreement;

(12) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or, an Officer or of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or

(13) any encumbrance or restriction existing by reason of any lien permitted under "—*Limitation on Liens*."

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives (including by way of relief from, or by any Person assuming responsibility for, any liabilities, contingent or otherwise) for such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap) is not less than the fair market value of the assets sold (as determined by the Issuer's Board of Directors); and

(2) except where the Asset Disposition is a Permitted Asset Swap, at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition or series of related Asset Dispositions consists of:

    (i) cash (including any Net Cash Proceeds received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);

    (ii) Cash Equivalents;

    (iii) the assumption by the purchaser of (x) any liabilities recorded on the Issuer's or such Restricted Subsidiary's consolidated balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Issuer, nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary is released from any guarantee of such Indebtedness as a result of such Asset Disposition;

    (iv) Replacement Assets;

    (v) any Capital Stock or assets of the kind referred to in clause (D) or (F) in the second paragraph of this covenant;

    (vi) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

    (vii) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash

Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of €20.0 million and 23% of Consolidated EBITDA (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(viii)a combination of the consideration specified in clauses (i) through (vii) of this clause (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Cash Proceeds of the Asset Disposition received by the Issuer or a Restricted Subsidiary, within 365 days (or 545 days in the circumstances described in clause (H) below) of the later of (i) the date of completion of such Asset Disposition and (ii) the receipt of such Net Cash Proceeds, may be used by the Issuer or such Restricted Subsidiary to:

(A) (i) prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the third paragraph of the covenant described under "*—Limitation on Indebtedness*" or any Refinancing Indebtedness in respect thereof, (ii) unless included in (A)(i), prepay, repay, purchase or redeem Notes or Indebtedness that is secured by a Lien on the Collateral and that is not subordinated in right of payment or security to the Notes, (iii) prepay, repay, purchase or redeem Indebtedness that is not subordinated in right of payment to the Notes that is secured on assets which do not constitute Collateral, or (iv) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); *provided* that the Issuer shall prepay, repay, purchase or redeem Public Debt (other than the Notes) pursuant to clause (ii) only if the Issuer either (1) reduces the aggregate principal amount of the Notes on an equal and ratable basis with any such Indebtedness by purchasing Notes through open-market purchases or in privately negotiated transactions at market prices or (2) makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum total aggregate principal amount of the Notes outstanding plus the total aggregate principal amount outstanding of such Indebtedness (other than the Notes);

(B) purchase any series of Notes pursuant to an offer to all Holders of such Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of relevant record on the record date to receive interest due on the relevant interest payment date);

(C) invest in any Replacement Assets;

(D) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(E) make a capital expenditure;

(F) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(G) consummate any combination of the foregoing; or

(H) enter into a binding commitment to apply the Net Cash Proceeds pursuant to clause (A), (C), (D), (E) or (F) of this paragraph or a combination thereof,

provided that, a binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 365 day period, if the investment has not been consummated by that date.

The amount of such Net Cash Proceeds not so used as set forth in this paragraph constitutes "*Excess Proceeds.*" Pending the final application of any such Net Cash Proceeds, the Issuer and its Restricted Subsidiaries may temporarily reduce revolving credit borrowings or other Indebtedness or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the terms of the Indenture.

On the 366th day (or the 546th day if a binding commitment as described in clause (H) is entered into) after an Asset Disposition, or such earlier time if the Issuer elects, if the aggregate amount of Excess

Proceeds exceeds €20.0 million, the Issuer will be required within 10 Business Days thereof to make an offer ("*Asset Disposition Offer*") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof in the case of the Notes.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be repaid or purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, the principal amount of such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be repaid or purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but, in any case, not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an "*Affiliate Transaction*") involving aggregate value in excess of €5.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €10.0 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the disinterested members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*," any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) and (2) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Transactions (including the extension of, and any payments under, the Shareholder Loans), (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement, understanding or instrument in effect as of or on the Issue Date (with respect to the Issuer) or the Acquisition Closing Date (with respect to the Target Group) or described in "*Certain Relationships and Related Party Transactions*" in the Offering Memorandum, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement, the payment of Related Taxes or any arrangement pursuant to which the Issuer or any of its Subsidiaries or any Parent is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business, provided that any such consolidated group arrangement does not permit or require cash payment by the Issuer to any Parent in excess of the amount of Tax that would be payable by the Issuer and its Restricted Subsidiaries on a stand-alone basis;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services (including, without limitation, pursuant to joint venture arrangements), in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of management, consulting, monitoring or advisory fees and related expenses, and investor fees in an aggregate amount not to exceed the greater of (i) €1.0 million and (ii) 1% of Consolidated EBITDA in any 12-month period; (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, and including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities (including, in each case, related costs, taxes and expenses), including in connection with loans, equity, capital market transactions, acquisitions or divestitures, investments or joint ventures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors of the Issuer in good faith; and (c) all reasonable out of pocket costs and expenses incurred by the Initial Investors or any Permitted Holder in connection with its direct or indirect investment in the Issuer and its Restricted Subsidiaries (but, for the avoidance of doubt, excluding in respect of the acquisition of shares in the Issuer and its Restricted Subsidiaries to the extent such payment would violate financial assistance restrictions under applicable law);

(12) any transactions for which the Issuer or a Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial standpoint or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;

(13) investments by any of the Investors in securities of the Issuer or any of the Issuer's Restricted Subsidiaries (and the payment of reasonable out of pocket expenses of the Investors in connection therewith) so long as the investment complies with clause (1) of the preceding paragraph, (ii) the investment is being offered generally to other investors on the same or more favorable terms and (iii) the investment constitutes less than 10% of the proposed issue amount of such class of securities;

(14) any participation in a public tender or exchange offers for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arms' length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer; and

(15) any transaction effected as part of a Qualified Receivables Financing.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days of the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2020, annual reports containing, to the extent applicable:

(i) an operating and financial review of the audited financial statements, including a discussion of the results of operation, financial condition, consolidated EBITDA and liquidity and capital resources;

(ii) unaudited *pro forma* income statement and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include provision of a full income statement or balance sheet to the extent not reasonably available, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates; *provided further* that, if such *pro forma* financial information is not reasonably available, the Issuer will provide, in the case of a material acquisition, acquired company financials;

(iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent fiscal year and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements;

(iv) a description of the business, management and shareholders of the Issuer, all material affiliate transactions, and a description of all material debt instruments; and

(v) a description of material operational risk factors and material subsequent events.

(2) within 60 days of the end of the first, second and third fiscal quarters in each fiscal year of the Issuer beginning with the fiscal quarter ending June 30, , 2020, quarterly financial statements of the Issuer containing the following information:

(i) the Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure;

(ii) unaudited *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials);

(iii) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, consolidated EBITDA and material changes in liquidity and capital resources of the Issuer;

(iv) a discussion of material changes in material debt instruments since the most recent report; and

(v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report, *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to such financial statements; and

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

The Issuer will use its commercially reasonable efforts to, within five Business Days after the delivery of each report discussed in clauses (1) and (2) of the first paragraph of this covenant, conduct a conference call to discuss such report and the results of operation for the relevant reporting period.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

Contemporaneously with the furnishing of each such report discussed above, the Issuer will also post such report on the Issuer's website.

The Issuer shall also make available to Holders and prospective holders of the Notes copies of all reports furnished to the Trustee on the Issuer's or the Target's website and if and so long as the Notes are listed on the Official List of The International Stock Exchange Authority Limited and to the extent that the rules and regulations of The International Stock Exchange Authority Limited so require, make available such reports to the Listing Agent for the purpose of sending to The International Stock Exchange Authority Limited. Notwithstanding the above, the Issuer will be deemed to have provided such reports to the Trustee, the Holders and prospective holders of the Notes if such reports referenced above in clauses (1), (2) and (3) have been posted on the Issuer's or the Target's website.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. No report need include separate financial statements for any Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles.

To the extent comparable prior period financial information of the Issuer does not exist, the comparable prior period financial information of the Target or special purpose financial information of the Issuer (incorporating such Target financial information) may be provided in lieu thereof.

Notwithstanding the foregoing, the Issuer may satisfy its obligations under clauses (1) and (2) of the first paragraph of this covenant by delivering the corresponding consolidated annual and quarterly reports of any Parent. To the extent that material differences exist between the management, business, assets, shareholding or results of operations or financial condition of the Issuer or any Parent that is the reporting entity (if applicable), the annual and quarterly reports shall include an explanation and an unaudited reconciliation of such material differences. Following an IPO on the Capital Stock of the Issuer or any Parent or Subsidiary thereof and/or the listing of such Capital Stock on an internationally recognized stock exchange, the requirements of this covenant shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange and reports consolidated EBITDA and, if the IPO Entity is different than the Issuer following such IPO, and material differences exist between the assets, results of operations or financial condition of the IPO Entity and the Issuer, then the annual and interim reports shall include an explanation and an unaudited reconciliation of such material differences.

At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "—*Reports*" covenant will include (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries, together with an unaudited reconciliation to the financial information of the Issuer and its subsidiaries, which reconciliation shall include the following items: sales revenues, consolidated EBITDA, net income, cash, total assets, total debt, shareholder equity, capital expenditures and interest expense.

For the purposes of this covenant, IFRS shall be deemed to be IFRS as in effect from time to time, without giving effect to the proviso in the definition thereof.

All reports provided pursuant to this "—*Reports*" covenant shall be made in the English language.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Delivery of the above reports to the Trustee is for informational purposes only and the Trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's or any other parties' compliance with any of its covenants in the Indenture (as to which the Trustee will be entitled to rely exclusively on Officer's Certificates that are delivered).

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one transaction or a series of related transactions to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "*Successor Issuer*") will be a Person organized and existing under the laws of any member state of the European Union, the United Kingdom or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form and substance reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the relevant Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been Incurred by the Successor Issuer or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Successor Issuer would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the Fixed Charge Coverage Ratio contained in the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Issuer (in each case, in form and substance reasonably satisfactory to the Trustee), *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness*."

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Guarantors

No Guarantor (other than a Guarantor whose guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of the assets of such Guarantor and its Restricted Subsidiaries taken as a whole, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it unless:

(A) the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor;

(B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee); and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture,

provided, however, that the prohibition in clauses (1), (2) and (3) of this paragraph shall not apply to the extent that compliance with paragraphs (A) and (B)(1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses.

The provisions set forth in this "*—Merger and Consolidation*" covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary; (ii) a Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; provided that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable, and clauses (1) and (4) under the heading "*—The Issuer*" shall apply to such transaction; (iv) a Permitted Reorganization and (v) the Issuer or a Guarantor changing legal domicile or legal form or consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided*, *however*, that clauses (1), (2) and (4) under the heading "*—The Issuer*" or clauses (3)(A) and (3)(B) under the heading "*—Guarantors*," as the case may be, shall apply to any such transaction.

Suspension of Covenants on Achievement of Investment Grade Status

If, on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "*Reversion Date*"), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) "*—Limitation on Restricted Payments*";

(2) "*—Limitation on Indebtedness*";

(3) "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";

(4) "*—Limitation on Affiliate Transactions*";

(5) "*—Impairment of Security Interest*";

(6) "*—Future Guarantees*";

(7) "*—Limitation on Sales of Assets and Subsidiary Stock*"; and

(8) the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Issuer*,"

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The "*—Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the third paragraph of the covenant described under "*—Limitation on Indebtedness*." In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee and the Holders of the Notes that the conditions set forth in the first paragraph under this caption has been satisfied, *provided* that, no such notification shall be a condition for the suspension or reversion of the covenants described under this caption to be effective. The Trustee shall not be obliged to notify the Holders of such event. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Impairment of Security Interest

The Issuer shall not, and shall not permit any Restricted Subsidiary to, and the Parent and Lux HoldCo shall not, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Parent, Lux HoldCo and the Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (i) the Parent, Lux HoldCo, the Issuer and its Restricted Subsidiaries may Incur Permitted Collateral Liens and may effect a Permitted Reorganization, and the Collateral may be discharged and released and retaken, and the applicable Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified, replaced or released, if applicable, in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement and (ii) the applicable Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified, replaced or released, from time to time to cure any ambiguity, mistake, omission, defect or inconsistency therein; *provided*, *however*, that in the case of clause (i) above, except with respect to any discharge or release in accordance with the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Incurrence of Permitted Collateral Liens or any action expressly permitted by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Security Documents may not be amended, extended, renewed, restated, supplemented, released and retaken, if applicable, or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee and the Security Agent, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee and the Security Agent from an Independent Financial Advisor confirming the solvency of the Parent, Lux HoldCo or the Issuer and their respective Subsidiaries, as applicable, taken as a whole, after giving effect to any transactions related to such amendment extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person which confirms the solvency of the person granting such Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee and the Security Agent, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement.

In the event that the Parent, Lux HoldCo, the Issuer and the Restricted Subsidiaries, as applicable, comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Future Guarantees

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Super Senior Facilities, any other Indebtedness with an aggregate outstanding principal amount in excess of €10.0 million or any other Public Debt, in each case of the Issuer or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor on the date on which the Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary will provide a Guarantee, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's guarantee of such other Indebtedness; *provided*, however, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Guarantee is contrary to the Agreed Security Principles or the Intercreditor Agreement or any Additional Intercreditor Agreement, or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of the Issuer, any Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary.

Guarantees granted pursuant to this provision shall be released as set forth under "*—Release of the Guarantees*." A Guarantee of a Guarantor granted pursuant to this "*—Future* Guarantees" covenant may also be released at the option of the Issuer if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Acquisition Closing Date and which could not have been Incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor, or (ii) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Acquisition Closing Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. At the request of the Issuer, the Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, capital maintenance, liquidity protection, fraudulent preference, "thin capitalization" rules, retention of title claims and similar principles. By virtue of such limitations, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee.

The validity and enforceability of the Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in "*Risk Factors*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*" in the Offering Memorandum.

Release of the Guarantees

The Guarantee of a Guarantor will terminate and release:

(1) upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture;

(2) upon the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;

(3) upon (i) defeasance or discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*" or (ii) the full and final payment and performance of all obligations of the Issuer and the Guarantors under the Indenture and the Notes;

(4) with respect to a Guarantor that is not a Significant Subsidiary, so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor is unconditionally released and discharged from its liability with respect to the Super Senior Facilities and is not otherwise required to be a Guarantor pursuant to the covenant described under "*—Future Guarantees*";

(5) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;

(6) as described under "*—Amendments and Waivers*";

(7) as described in the covenant described under "*—Future Guarantees*";

(8) pursuant to a Permitted Reorganization or as a result of a transaction permitted by "*—Merger and Consolidation—Guarantors*"; or

(9) upon the solvent liquidation or winding-up of a Guarantor.

At the request of the Issuer, the Trustee shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee without the consent of the Holders. Neither the Trustee nor the Issuer will be required to make a notation on the Notes to reflect any such release, termination or discharge.

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any Indebtedness permitted pursuant to the covenant described under "*—Limitation on Indebtedness*" or as contemplated by the Intercreditor Agreement, the Parent, Lux HoldCo, the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "*Additional Intercreditor Agreement*") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Guarantees and priority and release of the Security Interest; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security

Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities, indemnifications or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement or any Additional Intercreditor Agreement or any Security Document to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes, (6) implement any Permitted Liens or Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*" or as permitted by the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities, indemnifications or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided*, *however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*."

The Indenture also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at our offices or at the offices of the listing agent.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to maintain the listing of the Notes on the Official List of The International Stock Exchange Authority Limited for so long as such Notes are outstanding; provided that if at any time the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Official List of The International Stock Exchange Authority Limited, and thereafter use its commercially reasonable efforts to maintain, a listing of such Notes on another recognized stock exchange.

Lines of Business

The Issuer will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Similar Business, except to such extent as would not be material to the Issuer and its Restricted Subsidiaries, taken as a whole.

Financial Calculations

When calculating the availability under any basket or ratio under the Indenture, in each case in connection with any acquisition, disposition, merger, joint venture, investment, incurrence, payment or other similar transaction where there is a time difference between commitment and closing or payment or incurrence (including in respect of incurrence of Indebtedness, Restricted Payments and Permitted Investments), the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be the date the binding or definitive agreements for such acquisition, disposition, merger, joint venture, investment, commitment, payment, transaction, event or other similar transaction are entered into and such baskets or ratios shall be calculated on a pro forma basis after giving effect to such acquisition, disposition, merger, joint venture, investment, indebtedness, payment or similar transaction and the other transactions to be entered into in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable reference period for purposes of determining the ability to consummate any such transaction (and not for purposes of any subsequent availability of any basket or ratio). For the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in Consolidated EBITDA of the Issuer or the target company) subsequent to such date of determination and at or prior to the consummation of the relevant transaction or arrangement, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the relevant transaction or arrangement and the related transactions are permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such transaction or arrangement or related transactions; *provided* that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any Incurrence of Indebtedness and the use of proceeds thereof) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such transaction or arrangement.

Furthermore, for purposes of the calculation of any ratio under the Indenture, an amount of cash equal to (i) €40.0 million *less* (ii) the actual amount of cash distributed by the Issuer and its Restricted Subsidiaries to the Initial Investors in connection with the Transactions, shall be deemed to have been distributed by the Issuer and its Restricted Subsidiaries to the Initial Investors in connection with the Transactions (the "**Deemed Cash Distribution**"), *provided* that if the amount of cash distributed by the Issuer and its Restricted Subsidiaries to the Initial Investors in connection with the Transactions exceeds €40.0 million, the amount of the Deemed Cash Distribution shall be deemed to be zero.

Events of Default

Each of the following is an "Event of Default" under the Indenture:

(1) default in any payment of interest or Additional Amounts on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Parent or Lux HoldCo (in each case only with respect to the covenant described under "*Certain Covenants—Impairment of Security Interest*") or the Issuer or any of its Restricted Subsidiaries to comply for 60 days after written notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with its other agreements contained in the Indenture (other than a default in performance, or breach, of a covenant or agreement which is specifically addressed in clauses (1) or (2) above);

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

    (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or

    (b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*"),

    and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €20.0 million or more;

(5) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €20.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");

(7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture and except through the gross negligence or willful misconduct of the Trustee or Security Agent) with respect to Collateral having a fair market value in excess of €10.0 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer shall assert in writing that any such security interest is invalid or unenforceable, and (in each case) any such Default continues for 10 days;

(8) any Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Guarantee and (in each case) any such Default continues for 10 days; and

(9) failure by the Issuer to consummate a Special Mandatory Redemption on the Special Mandatory Redemption Date as described above under "*Escrow of Proceeds; Special Mandatory Redemption.*"

However, a default under clause (3), (4) or (6) above will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to such clauses the Issuer does not cure such default within the time specified in such clauses, as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 25% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. The Trustee shall not be deemed to have notice of any Default or Event of Default unless a written notice of any event which is in fact such a default is received by a Responsible Officer of the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and the Indenture. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) above under "*—Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) above shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders, unless such Holders have offered to the Trustee, and the Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes, unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing, of which a responsible officer of the Trustee has received written notice in accordance with the terms of the Indenture, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security (including by way of pre-funding) satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. Prior to the occurrence of an Event of Default, the Trustee will have no obligation to monitor compliance by the Issuer with the Indenture. The Indenture will provide that if a Default occurs and is continuing and a responsible officer of the Trustee is informed in writing in accordance with the terms of the Indenture of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "*Initial Default*") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*Certain Covenants—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured (including by way of pre-funding) to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Notes affected, then outstanding, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described above under "*—Optional Redemption*";

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any Holder to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;

(7) make any change in the provision of the Indenture described under "*—Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder, unless the Issuer or the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release all or substantially all of the security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Intercreditor Agreement, any applicable Additional Intercreditor Agreement, the Indenture or the applicable Security Documents;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(10) release any Guarantor from any of its obligations under its Guarantee or the Indenture, except in accordance with the terms of the Indenture, the Intercreditor Agreement any applicable Additional Intercreditor Agreement; and

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer, or any Restricted Subsidiary under any Notes Document;

(3) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Notes;

(6) to provide for any Restricted Subsidiary to provide a Guarantee in accordance with the covenants described under "*—Certain Covenants—Limitation on Indebtedness*" or "*—Certain Covenants—Future Guarantees*," to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, any Guarantee, the Security Documents or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, a Guarantee, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Super Senior Facilities, in any property which is required by the Security Documents or the Super Senior Facilities (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with; or

(10) as provided in "*—Certain Covenants—Additional Intercreditor Agreements.*"

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Parent, Lux HoldCo, the Issuer and the Guarantors under the Notes and the Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional

Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantors' obligations under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) of "*—Certain Covenants—Merger and Consolidation—The Issuer*") and "*—Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3), (4), (5) (with respect only to the Significant Subsidiaries), (6) or (7) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or another entity designated or appointed as agent by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof sufficient for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that the beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940, as amended; and

(5) the Issuer delivers to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when: (1) either: (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated by the Trustee for this purpose), money or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee to apply the funds deposited towards the payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

If requested in writing by the Issuer, which request may be included in the applicable notice of redemption or pursuant to the applicable Officers' Certificate, the Trustee (or another entity designated by the Trustee for this purpose), shall distribute any amounts deposited to the Holders prior to Stated Maturity or the redemption date, as the case may be; *provided*, however, that the Holders shall have received at least five Business Days' notice from the Issuer of such earlier payment date (which may be included in the notice of redemption). For the avoidance of doubt, the distribution and payment to Holders prior to the maturity or redemption date as set forth above shall not include any negative interest, present value adjustment, additional break cost or any additional premium on such amounts. To the extent the Notes are represented by a Global Note deposited with a depositary for a clearing system, any payment to the beneficial holders holding Book-Entry Interests as participants of such clearing system will be subject to the then applicable procedures of the clearing system.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee

Deutsche Trustee Company Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default of which a responsible officer of the Trustee has received written notice in accordance with the terms of the Indenture, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee has received written notice in accordance with the terms of the Indenture, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Note, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes, expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

For so long as any of the Notes are listed on The International Stock Exchange Authority Limited and the rules of The International Stock Exchange Authority Limited so require, notices with respect to the Notes will be published, to the extent and in the manner permitted by such rules, on the official website of The International Stock Exchange Authority Limited (www.tisegroup.com/). In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered by or on behalf of the Issuer to Euroclear and Clearstream.

All notices to Holders of the Notes will be validly given if mailed to them at their respective addresses in the register of Holders, if any, maintained by the Registrar.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. For so long as any Notes are represented by Global Notes, all notices to Holders of the Notes may be delivered via Euroclear and Clearstream in lieu of notice via registered mail.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors, if any, under or in connection with the Notes and the Guarantees, if any, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors, if any, will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors, if any, will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Listing

Application will be made to list the Notes on the Official List of The International Stock Exchange Authority Limited. There can be no assurance that the application to list the Notes on the Official List of The International Stock Exchange Authority Limited will be approved and settlement of the Notes is not conditioned on obtaining such listing.

Enforceability of Judgments

Since substantially all the assets of the Issuer are located outside the United States, any judgment obtained in the United States against the Issuer, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture and the Notes, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Acquisition*" means the acquisition by the Issuer of shares in the Target pursuant to the Acquisition Agreement.

"*Acquisition Agreement*" means the share purchase agreement, including any schedules and/or annexes attached thereto, entered into between the Issuer and Volkswagen Vermögensverwaltungs-GmbH, the parent of the Target, on January 30, 2020.

"*Acquisition Closing Date*" means the date of the completion of the Acquisition.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the agreed security principles appended to the Super Senior Facilities Agreement, as of the date of the Offering Memorandum, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

"*Applicable Premium*" means, with respect to any Note the greater of:

(a) 1% of the principal amount of such Note; and

(b) the excess (to the extent positive) of:

(A) the present value at such redemption date of (1) the redemption price of such Note at July 15, 2022 (such redemption price (expressed in percentage of principal amount) being set forth in the table under the heading "*—Optional Redemption*" (excluding accrued and unpaid interest)), *plus* (2) all required interest payments due on such Note to and including July 15, 2022 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date *plus* 50 basis points; over

(B) the outstanding principal amount of such Note, as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee, or any Paying Agent or Registrar.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an Operating Lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than Operating Leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of not more than the greater of €7.5 million and 9% of Consolidated EBITDA;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment or, solely for purposes of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain Covenants—Limitation on Liens*";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions of Receivables Assets in connection with any Qualified Receivables Financing, any other factoring transaction or in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and, in each case, comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Disqualified Stock that is permitted by the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" or an issuance of Capital Stock by the Issuer or pursuant to an equity incentive or compensation plan approved by the Board of Directors;

(19) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" covenant;

(20) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture; and

(21) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person) related to such assets.

"*Associate*" means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

"*Bank Products*" means any facilities or services related to treasury and/or cash management, cash pooling, treasury, depository, overdraft, BACS, CHAPS, payment lines, processing, credit or debit card, purchase card, returned check concentration, electronic funds transfer, daylight exposures, open credits, contingent obligation lines, letters of credit, the collection of cheques, deposits and direct debits, account reconciliation and reporting, cash, or other cash management and cash pooling arrangements.

"*Board of Directors*" means: (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; (3) with respect to any limited liability company, the managing member or members (or analogous corporate body) or any controlling committee of managing members thereof; and (4) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function.

Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

The obligations of the "Board of Directors of the Issuer" under the Indenture may be exercised by the Board of Directors of a Restricted Subsidiary or a Parent pursuant to a delegation of powers of the Board of Directors of the Issuer.

"*Bund Rate*" means, as of any computation date, the rate per annum equal to the yield to maturity at such redemption date of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors or an Officer of the Issuer) most nearly equal to the period from the redemption date to July 15, 2022; *provided, however*, that if the period from the redemption date to July 15, 2022 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to July 15, 2022 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Frankfurt am Main, Germany, or London, United Kingdom are authorized or required by law to close and, with respect to payments to be made under the Indenture, other than any day which is not a TARGET Settlement Day.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a lease (including any capitalized lease, finance lease or operating lease) for financial reporting purposes on the basis of IFRS. The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a Permissible Jurisdiction, Switzerland or Norway or, in each case, any agency or instrumentality thereof (provided that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof (a "*Deposit*") or cash in credit balance or deposit which are freely transferable or convertible within 90 days of issue or held by any lender party to the Super Senior Facilities or by any bank or trust company (a) if at any time the Issuer or any of its Subsidiaries held Deposits with such bank or trust company (or any branch or subsidiary thereof), (b) whose commercial paper is rated at least "A-3" or the equivalent thereof by S&P or Fitch or at least "P-3" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (c) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250.0 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-3" or the equivalent thereof by S&P or Fitch or "P-3" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer

of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, a Permissible Jurisdiction, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's, Fitch or S&P (or, if at the time, none is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB−" or higher from S&P or Fitch or "Baa3" or higher from Moody's (or, if at the time, none is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) interests in any investment company, money market or enhanced high yield fund at least 95% of the assets of which constitute cash or Cash Equivalents of the kinds described in any other paragraph of this definition; and

(9) for purposes of clause (2) of the definition of "Asset Disposition," the marketable securities portfolio owned by the Issuer on the Issue Date and the Target on the Acquisition Closing Date.

"*Change of Control*" means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer, *provided* that for the purposes of this clause 1, (x) no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent and (y) any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) shall not be included in any Voting Stock of which any "person" or "group of related persons" is the "beneficial owner" (as so defined) unless that person or group is not an Affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders; or

(3) the Parent ceasing to directly own 100% of the total issued share capital and all of the voting rights of the Issuer.

"*Clearstream*" means Clearstream Banking, *société anonyme,* as currently in effect or any successor securities clearing agency.

"*Collateral*" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date or thereafter pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Guarantee.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Consolidated EBITDA*" for the period of the four most recent fiscal quarters ending prior to the relevant date of measurement for which internal consolidated financial statements are available, means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees) and other non-cash charges and expenses (including without limitation write downs and impairment of property, plant, equipment and intangibles and other assets and the impact of purchase accounting on the Issuer and its Restricted Subsidiaries for such period) of the Issuer and its Restricted Subsidiaries (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period) for such period;

(4) any fees, expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence, issuance, redemption or refinancing of any Qualified Receivables Financing, Bank Products or Indebtedness permitted by the Indenture or any amendment, waiver, consent or modification to any document governing any such Qualified Receivables Financing, Bank Products or Indebtedness (whether or not successful) (including any such fees, expenses or charges related to the Transactions), in each case, as determined in good faith by the Board of Directors or an Officer of the Issuer;

(5) any foreign currency losses of the Issuer and its Restricted Subsidiaries (less any foreign currency such gains);

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking and any payments to minority shareholders under the Domination Agreement and related to any Squeeze Out, and any costs and expenses (including all legal, accounting and other professional fees and expenses) related thereto;

(7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to any Permitted Holders to the extent permitted by the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*";

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period) less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period);

(9) payments received or that become receivable with respect to, expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income;

(10) the proceeds of any business interruption insurance received or that become receivable during such period;

(11) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Qualified Receivables Financing or other factoring or receivables financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period;

(12) costs or expenses incurred pursuant to any management equity plan or stock option plan or any other management or employee benefit plan, agreement or any stock subscription or shareholder agreement, to the extent that such costs or expenses are funded with cash proceeds contributed to the capital of the Issuer or net cash proceeds of an issuance of capital stock of the Issuer solely to the extent that such Net Cash Proceeds are excluded from the build-up basket under the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(13) any charge (or minus any income) attributable to a post-employment benefit scheme other than the current service costs and any past service costs and curtailments and settlements attributable to the scheme;

(14) any charge attributable to earn-out obligations and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustment;

(15) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing Consolidated EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of Consolidated EBITDA for any previous period and not added back; and

(16) start-up or initial costs for any project or new production line, division or new line of business or other business optimization expenses or reserves including, without limitation, costs or reserves associated with improvements to IT and accounting functions, integration and facilities opening costs or any one-time costs incurred in connection with acquisitions and Investments and costs related to the closure and/or consolidation of facilities.

"*Consolidated EBITDA*" shall be calculated with such pro forma and other adjustments as are consistent with the pro forma provisions set forth in the definition of Consolidated Net Leverage Ratio.

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries (including net of return on financial investments), whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of original issue discount but excluding amortization of debt issuance costs, fees and expenses and the expensing of any finance costs;

(3) non-cash interest expense;

(4) net costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);

(5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a subsidiary of the Issuer, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;

(6) the consolidated interest expense that was capitalized during such period; and

(7) interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person,

minus (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS, (iv) any Additional Amounts with respect to the Notes included in interest expense under IFRS or other similar tax gross-up on any Indebtedness included in interest expense under IFRS and (v) any commissions, discounts, yield and other fees and charges related to factoring, receivables or securitization financings. Consolidated Interest Expense shall not include any interest expenses relating to Subordinated Shareholder Funding.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment or could have been distributed, as reasonably determined by an Officer (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, (c) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Super Senior Facilities and the Intercreditor Agreement) and contractual restrictions in effect on the Acquisition Closing Date with respect to the Target Group, and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date (or, with respect to the Target Group, the Acquisition Closing Date), and (d) restrictions specified in clause (11) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*"), except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents or non-cash distributions to the extent converted into cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause 2);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any revaluation, restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the Transactions or any investments), acquisition costs, business optimization, system establishment, software or information technology implementation or development, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events), each as determined in good faith by an Officer or the Board of Directors;

(5) at the election of the Issuer, the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any one-time non-cash charges or any amortization or depreciation, in each case, to the extent related to the Transactions or any acquisition of, merger or consolidation with, another Person or business or

resulting from any reorganization or restructuring or Incurrence of Indebtedness involving the Issuer or its Restricted Subsidiaries;

(11) any purchase accounting effects including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenues in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Issuer and the Restricted Subsidiaries), as a result of any consummated acquisition or the amortization or write off of any amounts thereof (including any write off of in process research and development);

(12) any goodwill or other intangible asset impairment charge or write-off or write-down; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"*Consolidated Net Leverage*" means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations) *less* cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries, as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer (or for the four most recent quarters prior to the Acquisition Closing Date, of the Target) are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period; *provided*, *however*, that (other than in connection with making any Restricted Payment pursuant to clause (16) of the third paragraph of the covenant described under "*Certain Covenants—Limitation on Restricted Payments*") the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the third paragraph under "*Certain Covenants—Limitation on Indebtedness*" (other than pursuant to the ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the third paragraph under "*—Certain Covenants—Limitation on Indebtedness*" (other than pursuant to the ratio under clause (5) thereunder).

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

(1) acquisitions and Investments (each, a "*Purchase*") that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include the full run rate effect of cost savings and synergies which are reasonably anticipated to be realized within the next 18 months following the date of such calculation) as if they had occurred on the first day of the reference period; *provided* that, if definitive documentation has been entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect to such Purchase (including the full run rate effect of cost savings and synergies which are reasonably anticipated to be realized within the next 18 months following the date of such calculation) as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be

excluded on a pro forma basis as if such disposition occurred on the first day of such period (taking into account the full run rate effect of cost savings and synergies which are reasonably anticipated to be realized within the next 18 months following the date of such calculation, resulting from any such disposal, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(3) the Indebtedness attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a pro forma basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Indebtedness will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness), and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Net Leverage shall be determined in accordance with IFRS.

For the purposes of this definition and the definitions of Consolidated Senior Secured Net Leverage Ratio, Fixed Charge Coverage Ratio, Consolidated EBITDA and Consolidated Net Income, calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (including in respect of the full run rate effect of anticipated cost savings and synergies which are reasonably anticipated to be realized within the next 18 months following the date of such calculation) as though the full effect of synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or accounting officer of the Issuer) of cost savings programs and synergies that have been or will be initiated by the Issuer or its Restricted Subsidiaries and are reasonably anticipated to be realized within the next 18 months following the date of such calculation as though such cost savings programs and synergies had been fully implemented on the first day of the relevant period, provided that such anticipated cost savings and synergies (i) are not duplicative of cost savings and synergies already included in such calculation for such period and (ii) do not exceed 20% of Consolidated EBITDA for such period (calculated prior to giving *pro forma* effect to such synergies and cost savings and such cap also taking into account adjustments for synergies and cost savings (but no other items or types of adjustments) made under clauses (1) and (2) above).

"*Consolidated Senior Secured Net Leverage*" means the sum of the aggregate outstanding Senior Secured Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations) *less* cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries, as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"*Consolidated Senior Secured Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Senior Secured Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer (or for the four most recent quarters prior to the Acquisition Closing Date, of the Target) are available, in each case, calculated with such *pro forma* and other adjustments as are consistent with the pro forma provisions set forth in the definition of Consolidated Net Leverage Ratio.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any Operating Lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Control Date*" refers to the earliest of (i) the date on which a domination and profit and loss pooling agreement (*Beherrschungs- und Gewinnabführungsvertrag*) between the Target, as dominated entity, and the Issuer, as dominating entity is registered in the commercial register of the Target, (ii) the date upon which the Target is converted into a German limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*), and (iii) the date upon which the Target is merged into the Issuer pursuant to a merger related Squeeze Out or the Target shares of any holder who is not the Issuer or an affiliate of the Issuer are acquired pursuant to a Squeeze Out.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Super Senior Credit Facilities or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Super Senior Facilities or one or more other credit or other agreements, indentures, financing agreements or otherwise) and, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, *less* the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"*Designated Preference Shares*" means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Restricted Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Restricted Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Restricted Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case, on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a change of control or an asset disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"*Equity Offering*" means (x) a sale of Capital Stock of the Issuer (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions and other than offerings to the Issuer or any Restricted Subsidiary) or (y) the sale of Capital Stock or other securities by any Person (other than to the Issuer or a Restricted Subsidiary), the proceeds of which are contributed as Subordinated Shareholder Funding or capital contribution or to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or through an Excluded Contribution or a Parent Debt Contribution) of the Issuer or any of its Restricted Subsidiaries.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "*Escrowed Proceeds*" shall include any interest earned on the amounts held in escrow.

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Board of Directors or an Officer of the Issuer) on the date of such determination.

"*Euroclear*" means Euroclear Bank SA/NV or any successor securities clearing agency.

"*European Government Obligations*" means any security that is (1) a direct obligation of any country that is a member of the European Union on the date of the Indenture or the United Kingdom, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case, under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"*European Union*" means all members of the European Union as of the Issue Date.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or a Parent Debt Contribution or the Initial Equity Contribution) of the Issuer after the

Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares or a Parent Debt Contribution or the Initial Equity Contribution) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*fair market value*" wherever such term is used in this "Description of the Notes" or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement and except as otherwise specifically provided in this "*Description of the Notes*" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fitch*" means Fitch Ratings Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Fixed Charge Coverage Ratio*" means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements are available to (y) the Fixed Charges of such Person for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of the full run rate effect of cost savings and synergies which are reasonably anticipated to be realized within the next 18 months following the date of such calculation, provided that such anticipated cost savings and synergies (i) are not duplicative of cost savings and synergies already included in such calculation for such period and (ii) do not exceed 20% of Consolidated EBITDA for such period (calculated prior to giving pro forma effect to such synergies and cost savings and such cap also taking into account adjustments for synergies and cost savings (but no other items or types of adjustments) made under clause (1) below), to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) of the third paragraph of the covenant under "*—Certain Covenants—Limitation on Indebtedness*") the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the third paragraph of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" (other than pursuant to the ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the third paragraph of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" (other than pursuant to the ratio under clause (5) thereunder).

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions or Investments (each, a "*Purchase*") that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of the full run rate effect of cost savings and synergies which are reasonably anticipated to be realized within the next 18 months following the date of such calculation, as if they had occurred on the first day of the four-quarter reference period; *provided* that, if definitive documentation has been

entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect to such Purchase (including the full run rate effect of cost savings and synergies which are reasonably anticipated to be realized within the next 18 months following the date of such calculation) as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;

(6) if any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness); and

(7) Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; plus

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on equity interests payable to the Issuer or a Restricted Subsidiary.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantee Facilities*" means one or more Credit Facilities with commercial banks providing for the issuance of letters of credit, guarantees, performance guarantees, documentary credits, indemnities or other similar instruments (for the avoidance of doubt, excluding, in each case, any instrument which constitutes a credit guarantee or similar credit security instrument with respect to Indebtedness for borrowed money), including the Super Senior Guarantee Facility, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) in whole or in part from time to time; provided, however, that the committed amount under all such Guarantee Facilities (including all unutilized amounts thereunder, the aggregate issued thereunder and not been reimbursed) shall not at any time exceed the greater of (i) €175.0 million and (ii) 201% of Consolidated EBITDA.

"*Guarantor*" means any Restricted Subsidiary that Guarantees the Notes from time to time.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) endorsed by the European Union (a) for purposes of the "*Reporting*" covenant, as in effect from time to time and (b) for other purposes, as in effect on the Issue Date.

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time, such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise), will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary, and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "Indebtedness" shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Guarantee thereof) which would not be considered a Capitalized Lease Obligation, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date (with respect to the Issuer) or the Acquisition Closing Date with respect to the Target Group) or in the ordinary course of business, (v) any asset retirement obligations or (vi) any accrued expenses and trade payables.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of Qualified Receivables Financings and any non-interest-bearing installment obligations and accrued liabilities Incurred in the ordinary course of business that are not more than 120 days past due;

(2) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(3) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(4) obligations and liabilities under or in respect of Bank Products or under or in respect of any factoring, receivables or securitization financings that are non-recourse; or

(5) indebtedness in respect of letters of credit, bank guarantees, performance bonds or surety bonds provided by the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent that such instruments are not drawn upon or, if and to the extent drawn upon, are honored in accordance with their terms and, if to be reimbursed, are reimbursed by no later than 30 Business Days following receipt by such person of a demand for reimbursement following payment on the relevant instrument.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Equity Contribution*" means the 'Equity Contribution' made on or prior to the Acquisition Closing Date as set forth in "*Use of Proceeds.*"

"*Initial Investors*" means (1) the limited partnerships comprising Triton Fund V or any of their respective Affiliates, (2) any other trust, fund, company or partnership owned, managed or advised by Triton Investment Management Limited or any of its Affiliates, and the affiliates of any such trust, fund, company or partnership, or (3) any limited partner of any such trust, fund, company or partnership referred to in (2) or any of their respective Affiliates, in each case from time to time (but, for the avoidance of doubt, excluding any portfolio companies of any of the Initial Investors).

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of any IPO Entity following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of any such entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the intercreditor agreement dated on or about the Issue Date between, *inter alios*, the Issuer, Deutsche Bank AG, London Branch, as agent, the Trustee, the Security Agent and certain other entities (as named therein), as amended from time to time.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business and unfunded pension fund and other employee benefit plan obligations and liabilities to the extent permitted to remain unfunded under applicable law will not be deemed to be an Investment. If the Issuer, or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the fourth paragraph of the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*."

For purposes of "*—Certain Covenants—Limitation on Restricted Payments:*"

(1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB" or higher from S&P or Fitch or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's, Fitch or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

"*Investment Grade Status*" shall occur when all of the Notes receive both of the following:

(1) a rating of "BBB−" or higher from S&P or Fitch; and

(2) a rating of "Baa3" or higher from Moody's,

or the equivalent of such rating by any such rating organization or, if no rating of Moody's, Fitch or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*IPO Entity*" means the Issuer or any Parent or any successor of the Issuer or any Parent.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity (or other applicable entity) at the time of closing of the Initial Public Offering multiplied by (ii) the price per shares at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means July 13, 2020.

"*Issuer*" means Rebecca BidCo GmbH or any other Successor Issuer in accordance with the Indenture.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Lux HoldCo*" means Triton V LuxCo 31 S.à r.l. or any successor.

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving-related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding the greater of €2.0 million and 2% of Consolidated EBITDA in the aggregate outstanding at any time.

"*Management Investors*" means (i) any current, former or future employees, officers, directors or members of the management team of, or consultants to, the Issuer or its Subsidiaries or Affiliates or any Parent, who beneficially own or have the right to acquire, directly or indirectly, Capital Stock, or invest or subsequently invest, directly or indirectly, in the Issuer or any of its Restricted Subsidiaries or any Parent from time to time and (ii) any trust, partnership, legal representatives or other person or entity that may hold shares on behalf of, or for the benefit of, or transferred by (or the beneficial owner of which, directly or indirectly, is) any person referred to in clause (i).

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity (or other applicable entity) on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in

order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds"* with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

"*Notes Documents*" means the Notes (including Additional Notes issued from time to time), the Indenture, the Escrow Agreement, the Escrow Charge, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Offering Memorandum*" means this offering memorandum in relation to the Notes.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person. The obligations of an "Officer of the Issuer" may be exercised by the Officer of any Restricted Subsidiary or the Issuer who has been delegated such authority by the Board of Directors of the Issuer.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Operating Lease*" means a lease that would have been treated, classified and accounted for as an operating lease under IAS 17 as in effect on December 31, 2018.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

"*Parent*" means Rebecca FinCo GmbH and any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Debt Contribution*" means a contribution to the Issuer or any of its Restricted Subsidiaries in the form of equity, funding the issuance or sale of Capital Stock of the Issuer or any Restricted Subsidiary or Subordinated Shareholder Funding or otherwise lent as a proceeds loan to the Issuer or any of its Restricted Subsidiaries, pursuant to which dividends, loans, advances, payments or other distributions may be paid pursuant to clause (20) of the third paragraph under "*Certain Covenants—Limitation on Restricted Payments*."

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder and/or subsistence, establishment, administration and regulatory fees, costs and expenses and as otherwise customary in the ordinary course;

(2) director and employee remuneration, employee benefit, pension expenses and customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;

(4) fees, costs, taxes and expenses payable by any Parent in connection with the Transactions;

(5) general corporate overheads, fees, costs, taxes and expenses, including (a) professional and advisory fees and expenses, legal and audit fees and other operational and administrative expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, (b) in connection with any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly of equity interests, (c) any taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent;

(6) (a) fees, expenses, taxes and costs relating directly or indirectly to the ownership of or to activities or management of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or an Equity Offering or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding and (b) any payments to any person referred to in (a) above in an amount not to exceed the greater of €2.0 million and 2% of Consolidated EBITDA in any fiscal year;

(7) any non-cash dividends for the purposes of effecting tax efficiencies of the Issuer and its Restricted Subsidiaries and any Parent and other transactions undertaken in good faith (as certified by a responsible financial or accounting officer in an Officers' Certificate) for the purpose of improving the consolidated tax efficiency of the Issuer and its Subsidiaries and not for the purpose of circumventing any covenant set forth in the Indenture, any payment pursuant to the Tax Sharing Agreement which is permitted pursuant to the Indenture;

(8) any Taxes and any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of the Unrestricted Subsidiaries, provided however that the amount of such payments in any fiscal year do not exceed the amount that the Issuer and its consolidated Subsidiaries would be required to pay in respect of such taxes for such fiscal year were the Issuer and each of these Subsidiaries to pay such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Issuer and such Unrestricted Subsidiaries; and

(9) fees, costs, taxes and expenses (including, without limitation, in respect of underwriting, commitment or arrangement) Incurred by any Parent in connection with any actual or contemplated public offering or other sale of Capital Stock or indebtedness:

(a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;

(b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

(c) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Pari Passu Indebtedness*" means Indebtedness of the Issuer or any Guarantor which does not constitute Subordinated Indebtedness.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"*Permissible Jurisdiction*" means any member state of the European Union or the United Kingdom.

"*Permitted Asset Swap*" means the substantially concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash or Cash Equivalents or Temporary Cash Investments between the Issuer or any of its Restricted Subsidiaries and another Person; provided that any Net Cash Proceeds received by the Issuer or a Restricted Subsidiary in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock" (to the extent required pursuant to such covenant).

"*Permitted Collateral Liens*" means Liens on the Collateral (other than the Escrowed Property):

(1) that are described in one or more of clauses (2), (3), (4), (5), (7), (8), (9), (10), (11), (12), (17), (19), (21) and (22) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interest in the Collateral;

(2) to secure:

(a) the Initial Notes and related Guarantees;

(b) Indebtedness permitted to be Incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(c) Indebtedness described under clause (1) of "*—Permitted Debt*," which Indebtedness may have super seniority priority status not materially less favorable to the Holders than that accorded to the Super Senior Facilities on or about the Issue Date pursuant to the Intercreditor Agreement;

(d) Indebtedness described under clause (2) of "*—Permitted Debt*," to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

(e) Indebtedness described under paragraphs (b) and (e) of clause (4) of "*—Permitted Debt*";

(f) Indebtedness described under clause (5) of "*—Permitted Debt*," *provided* that, in the case of Indebtedness under clause (5), at the time of Incurrence (or, at the option of the Issuer, the acquisition or other transaction pursuant to which such Indebtedness is Incurred) and after giving *pro forma* effect to such acquisition or transaction, the Incurrence of such Indebtedness and the application of the proceeds thereof, the Consolidated Senior Secured Net Leverage Ratio either (A) does not exceed 3.00 to 1.0 or (B) is not greater than immediately prior to such Incurrence; *provided* that for purposes of the consummation of any one-time significant transaction the Consolidated Senior Secured Net Leverage Ratio either (I) does not exceed 3.50 to 1.0 or (II) is not greater than immediately prior to such Incurrence;

(g) Indebtedness described under clause (6) of "*—Permitted Debt*," which Indebtedness may have super senior priority status not materially less favorable to the Holders than that accorded to the Super Senior Facilities under clause (1) of "*—Permitted Debt*" on or about the Issue Date pursuant to the Intercreditor Agreement; and

(h) Bank Products and Indebtedness described under clauses (7) (covering only the assets acquired, improved, constructed, leased with or financed by such indebtedness), (11) and (13) of "*—Permitted Debt*";

(i) Indebtedness on a junior basis to the Notes; and

(j) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (a) to (i); *provided that* the Liens securing such Refinancing Indebtedness shall be of equivalent priority to the Lien securing the Indebtedness that is being refinanced,

provided, that each of the secured parties to any such Indebtedness secured on Collateral as set forth in clause (2) above (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement.

"*Permitted Holders*" means, collectively, (1) the Initial Investors and any of their Related Persons, (2) the Management Investors and any of their Related Persons, (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity and (4) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing (or any Persons mentioned in the following sentence) are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and such Persons referred to in sub-clauses (1) through (3) (or any Person mentioned in the following sentence), collectively, have beneficial ownership of more than 50% of the total voting power of Voting Stock of the Issuer or any Parent held by such group.

Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Issuer or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person that is engaged in a Similar Business (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person is engaged in a Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and any advance payment made in relation to capital expenditures in the ordinary course of business, and including Investments made in connection with any Qualified Receivables Financing;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement, including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash or deferred consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date (or the Acquisition Closing Date with respect to the Target Group), and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment may be increased (a) as required by the terms of the Investment as in existence on the Issue Date (or the Acquisition Closing Date with respect to the Target Group) or (b) as otherwise permitted under the Indenture;

(10) (i) Bank Products and (ii) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain Covenants—Limitation on Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of €25.0 million and 29% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(12) guarantees, indemnities, pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—*

Limitation on Affiliate Transactions" (except those described in clauses (1), (3), (8), (9) and (12) of that paragraph);

(15) Guarantees or indemnities not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(16) guarantees, indemnities and other Investments given or entered into pursuant to or in connection with the Transactions and the Acquisition Agreement;

(17) Investments in loans under the Super Senior Facilities, the Notes and any Additional Notes and any other Indebtedness of the Issuer and its Restricted Subsidiaries; and

(18) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Certain Covenants—Merger and Consolidation*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws (including social charges and taxes) or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties, over any rental deposits or the asset rented in relation to any real property leased or licensed or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) (a) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmens' and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings and (b) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(4) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business;

(5) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(6) Liens on assets or property of the Issuer or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations permitted under the Indenture relating to Indebtedness;

(7) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(8) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment,

decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(9) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the third paragraph of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" and any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(10) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(11) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding Operating Leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(12) Liens (a) existing on, or provided for or required to be granted under written agreements existing on, the Issue Date and any refinancing thereof or (b) with respect to the Target Group, existing on, or provided for or required to be granted under written agreements existing on, the Acquisition Closing Date and any refinancing thereof; in each case *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the agreement being refinanced;

(13) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided, however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(14) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;

(15) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(16) any interest or title of a lessor under any Capitalized Lease Obligation or Operating Lease;

(17) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(18) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(19) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(20) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;

(21) Liens (i) in connection with Bank Products, (ii) arising under general business conditions in the ordinary course of business, including without limitation the general business conditions of any bank or financial institution with whom the Issuer or any of its Restricted Subsidiaries maintains a banking relationship in the ordinary course of business, and including Liens arising by reason of any treasury and/or cash management, cash pooling, netting or set-off arrangement or other banking or trading activities;

(22) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods or services entered into in the ordinary course of business (and rights of set-off in connection therewith) and, if arising as a result of any default or omission, which does not subsist for a period of more than 90 days;

(23) Liens securing Indebtedness or other obligations of a Receivables Subsidiary;

(24) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary;

(25) any security granted over the marketable securities portfolio described in clause (9) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(26) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes, (b) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing or sharing of recoveries as among the Holders of the Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement, (c) Liens securing Indebtedness under clauses (11) and (15) of the third paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (d) Liens securing Indebtedness under clause (1) of the third paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" to the extent such Lien is not able or required to be granted to secure the Notes pursuant to the Agreed Security Principles;

(27) Permitted Collateral Liens;

(28) Liens provided that the maximum outstanding principal amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (28) does not exceed an amount equal to the greater of €25.0 million and 29% of Consolidated EBITDA;

(29) Liens, over bank accounts of the Issuer or any of its Restricted Subsidiaries into which payments on receivables which have been previously sold, assigned or transferred by the Issuer or any of its Restricted Subsidiaries on a non-recourse basis and are also being serviced by the Issuer or any Restricted Subsidiary are made until such amounts are transferred to the factor or its assigns;

(30) (a) Liens arising under or in connection with escrow or similar arrangements related to any permitted disposal or acquisition by the Issuer or a Restricted Subsidiary; and (b) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose; and

(31) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures or associates or which are not Restricted Subsidiaries securing Indebtedness or other obligations of such joint ventures or associates.

"*Permitted Reorganization*" means any amalgamation, merger, demerger, reorganization, reconstruction, consolidation, sale, combination, liquidation, dissolution, winding-up or corporate reconstruction or disposal or transfer of assets or Capital Stock (a "*Reorganization*") involving the Issuer or any of its Restricted Subsidiaries that is made on a solvent basis, provided that (a) any payments or assets distributed in such Reorganization remain within the Issuer and its Restricted Subsidiaries, (b) if any Capital Stock or assets form part of the Collateral, substantially equivalent Liens must be granted over such Capital Stock or assets of the recipient such that they from part of the Collateral, and (c) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that no Default is continuing or would arise from such Reorganization.

"*Permitted Tax Distribution*" means:

(1) if and for so long as the Issuer is a member of a fiscal unity (whether resulting from a domination and profit or loss pooling agreement or otherwise) with any Parent, any dividends or other distributions, intercompany loans or other intercompany balances to fund any income Taxes for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis calculated as if the Issuer and its Subsidiaries had paid Tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries; and

(2) for any taxable year (or portion thereof) ending after the Issue Date for which the Issuer is treated as a disregarded entity, partnership, or other flow-through entity for federal, state, provincial, territorial, and/or local income Tax purposes, the payment of dividends or other distributions to the Issuer's direct owner(s) to fund the income Tax liability of such owner(s) (or, if a direct owner is a pass-through entity, of the indirect owner(s)) for such taxable year (or portion thereof) attributable to the operations and activities of the Issuer and its direct and indirect Subsidiaries.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*" means, as applied to the Capital Stock of any Person, Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €50.0 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any Receivables Financing that meets the following conditions: (1) the Board of Directors or an Officer of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer), (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Board of Directors or an Officer of the Issuer) and may include Standard Securitization Undertakings and (4) such Receivables Financing is non-recourse to the Issuer or any Restricted Subsidiary (other than a Receivables Subsidiary) except to the extent of any Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"*Rating Agencies*" means Moody's, Fitch and S&P or, in the event Moody's, Fitch or S&P no longer assigns a rating to the Notes, any other "nationally recognized statistical rating organization" within the meaning of Section 3(a)(62) of the Exchange Act selected by the Issuer as a replacement agency.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing, including any bank account in which the proceeds of such receivable are collected, and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary or (b) any other Person or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any other Restricted Subsidiary has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any other Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes (in right of payment or security), such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced, *provided*, *however*, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Person*" with respect to any Permitted Holder, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor,

excluding, in each case, any portfolio companies of the foregoing.

"*Related Taxes*" means any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (*provided* such Taxes are in fact paid) by any Parent by virtue of it:

(1) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries);

(2) issuing or holding Subordinated Shareholder Funding;

(3) being a holding company or parent, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries;

(4) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries; or

(5) having made any (i) payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "*—Certain Covenants—Limitation on Restricted Payments*" or (ii) Permitted Tax Distribution.

"*Replacement Assets*" means any (i) non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or (ii) non-current properties and assets that will be used in the Issuer's business or in that of the Restricted Subsidiaries or any and all businesses that in the good faith judgment of the Board of Directors or any Officer of the Issuer are reasonably related thereto, including capital stock of a Restricted Subsidiary holding such assets.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture other than the Escrow Charge, as applicable.

"*Senior Secured Indebtedness*" means, as of any date of determination, Indebtedness for borrowed money incurred by the Issuer or a Restricted Subsidiary that (a) is secured by a first-priority Lien on the Collateral or (b) is Incurred by a Restricted Subsidiary that is not a Guarantor, and that (in the case of each of (a) and (b)) is incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or under clauses (1), (4) (other than clause 4(d)), (5), (11), (13), (15) or (16) of the third paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (c) is Incurred by the Issuer or any Restricted Subsidiary under clauses (4)(b), 4(c) (to the extent it relates to 4(b)) or (7) (in each case, with respect to Capitalized Lease Obligations) of the third paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*."

"*Shareholder Loan I*" means the (long-term) shareholder loan in an amount of €46.0 million to be extended by the Initial Investors to the Issuer in connection with the Transactions.

"*Shareholder Loan II*" means the (short-term) shareholder loan in an amount of €40.0 million to be extended by the Initial Investors to the Issuer in connection with the Transactions.

"*Shareholder Loans*" means, collectively, the Shareholder Loan I and the Shareholder Loan II.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (1) any businesses, services or activities engaged in by the Issuer on the Issue Date or any member of the Target Group (or by any of its Subsidiaries or any Associates) on the Acquisition Closing Date and (2) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Squeeze Out*" means any squeeze out procedure to acquire the Target Shares held by minority shareholders of the Target pursuant to either Section 327a et seqq. German Stock Corporation Act (*Aktiengesetz—AktG*), Section 39a of the German Takeover Code or Section 62 paragraph 5 German Reorganization Act (*Umwandlungsgesetz—UmwG*).

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "*—Change of Control*" and the covenant under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment or security to the Notes or any Guarantee of the Notes pursuant to a written agreement.

For purposes of the Indenture, no Indebtedness or other obligations will be deemed to be subordinated in right of payment to any other Indebtedness solely by virtue of being a party to the Intercreditor Agreement or an Additional Intercreditor Agreement or by virtue of being unsecured or by virtue of being secured on different collateral or by persons who are not Guarantors, or by virtue of the application of waterfall or other payment-ordering provisions, or due to the fact that the holders (or an agent, trustee or representative thereof) of any Indebtedness or obligations have entered into intercreditor arrangements giving one or more of such holders priority over the other holders in the collateral held by them.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Shareholder Liabilities" (as defined therein),

provided that for purposes of the Indenture, the Shareholder Loan II shall be deemed to constitute Subordinated Shareholder Funding.

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

(a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

(b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Successor Parent*" means, with respect to any Person any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*Super Senior Facilities*" means the Super Senior Revolving Credit Facility and the Super Senior Guarantee Facility.

"*Super Senior Facilities Agreement*" means the super senior revolving credit and guarantee facilities agreement dated on or about the Issue Date among, *inter alios*, the Issuer, the lenders (as named therein), Deutsche Bank AG, London Branch, as agent, and the Security Agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"*Super Senior Guarantee Facility*" means the guarantee facility established pursuant to the Super Senior Facilities Agreement.

"*Super Senior Revolving Credit Facility*" means the revolving credit facility established pursuant to the Super Senior Facilities Agreement.

"*Takeover Offer*" means the voluntary public takeover offer (*freiwilliges öffentliches Übernahmeangebot*) made by the Issuer to the shareholders of the Target for the purchase of all no-par-value bearer shares of the Target.

"*Target*" means RENK Aktiengesellschaft, a stock corporation (*Aktiengesellschaft*) incorporated under the law of the Federal Republic of Germany.

"*Target Group*" means the Target and its Subsidiaries from time to time.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or its Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture, and any arrangements or transactions made between the Issuer and/or any of its Subsidiaries and/or any Parent in order to satisfy the obligations arising under any such Tax Sharing Agreement (including, for the avoidance of doubt, distributions for purposes of compensation accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any Parent to enable a Parent to compensate the Issuer or such Subsidiary for losses Incurred which may need to be compensated by a Parent under any profit and loss pooling agreement).

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in:

(a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) a Permissible Jurisdiction, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or Fitch or "A-2" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the Super Senior Facilities;

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250.0 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or Fitch or "A-2" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P or Fitch (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, a Permissible Jurisdiction or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or Fitch or "Baa3" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250.0 million (or the foreign currency equivalent thereof) or whose long-term debt is rated at least "A" by S&P or Fitch or "A2" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Transactions*" means the transactions as described in this Offering Memorandum under the caption "*Summary—The Transactions*" and the use of proceeds as set forth under "*Use of Proceeds*."

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least €1.00 of additional Indebtedness under the Fixed Charge Coverage Ratio contained in the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND SECURITY INTERESTS

The following is a summary of certain insolvency law considerations regarding the European Union, Germany and the United Kingdom. The descriptions below are only a summary and do not purport to be complete or to discuss all insolvency law considerations that may affect the enforceability of the obligations of the Issuer or any Guarantor. See "Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral."

European Union

On June 5, 2015, Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (as last amended by Regulation (EU) 2018/946 of the European Parliament and of the Council of 4 July 2018, the "**EU Insolvency Regulation**") was published in the Official Gazette of the European Union.

The EU Insolvency Regulation applies to insolvency proceedings that are collective insolvency proceedings of the types referred to in Annex A to the EU Insolvency Regulation.

Main Insolvency Proceedings

Pursuant to Article 3(1) of the EU Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the member state of the European Union (the "**Member State**") (other than Denmark) within which the center of a debtor's main interests is situated. The "center of main interests" is defined as "the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties." Pursuant to Article 3(1) of the EU Insolvency Regulation, the center of main interests of a company or legal person is presumed to be located in the Member State of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another Member State within a three-month period prior to the request for the opening of insolvency proceedings. Specifically, it should be possible to rebut this presumption where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State. In this regard, special consideration should be given to creditors and their perception as to where a debtor conducts the administration of its interests. In the event of a shift in the center of main interests, this may require informing the creditors of the new location from which the debtor is carrying out its activities in due course (*e.g.*, by drawing attention to the change of address in commercial correspondence or otherwise making the new location public through other appropriate means).

If the "center of main interests" of a company at the time an insolvency application is made, is located in a Member State (other than Denmark), the main insolvency proceedings with respect to the company under the EU Insolvency Regulation would be commenced in such jurisdiction and, accordingly, a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation.

Furthermore, pursuant to Article 6 of the EU Insolvency Regulation, the courts of the Member State within the territory of which insolvency proceedings have been opened in accordance with Article 3 shall have jurisdiction for any action that derives directly from the insolvency proceedings and is closely linked with them, such as avoidance actions.

Secondary Insolvency Proceedings

Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in other Member States. If the "center of main interests" of a debtor is in one Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "secondary" or "territorial" insolvency proceedings only in the event that such debtor has an "establishment" in the territory of such other Member State. Secondary proceedings may be any insolvency proceeding listed in Annex A of the EU Insolvency Regulation and for the avoidance of doubt, are not limited to winding up proceedings. Territorial proceedings are, in effect, secondary proceedings which are commenced prior to the opening of main insolvency proceedings and which will usually convert to secondary proceedings on the opening of the main proceedings. "Establishment" is defined as any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State.

Pursuant to Article 3(4) of the EU Insolvency Regulation, where main proceedings in the Member State in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another Member State where the company has an establishment and either: (a) insolvency proceedings cannot be opened in the Member State in which the company's center of main interests is situated under that Member State's law; or (b) the territorial insolvency proceedings are opened at the request of a creditor whose claim arises from or in connection with the operation of such establishment or a public authority, which has the right to request such opening under the respective Member State's law, requests the opening of such proceedings. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will, subject to certain exemptions, be governed by the *lex fori concursus*; that is, the local insolvency law of the court that has assumed jurisdiction for the respective main, territorial or secondary insolvency proceedings, as the case may be, of the company.

Pursuant to Article 21 of the EU Insolvency Regulation, the insolvency officeholder appointed by the court of the main proceedings may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State), subject to certain limitations, so long as no insolvency proceedings have been opened in that other Member State or any preservation measure has been taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

However, under Article 36 of the EU Insolvency Regulation, the insolvency practitioner in the main insolvency proceedings may prevent the opening of secondary insolvency proceedings in another Member State by giving a unilateral undertaking with respect to the assets located in the Member State in which secondary insolvency proceedings could be opened. For this purpose, the insolvency practitioner must undertake to comply with the distribution and priority rights under the relevant national law from which the local creditors would benefit if the insolvency proceedings were opened in the Member State where the assets are located. Such undertaking must be made in writing and is subject to approval by a qualified majority of known local creditors, determined in accordance with applicable local laws. If approved, the undertaking is binding on the insolvency estate and if a court is requested to open secondary insolvency proceedings, it should, at the request of the insolvency practitioner in the main insolvency proceedings, refuse to open such proceeding if it is satisfied that the undertaking adequately protects the general interests of local creditors.

Additionally, under Article 38 of the EU Insolvency Regulation, where a temporary stay of individual enforcement proceedings has been granted in order to allow for negotiations between a company and its creditors, the court, at the request of the insolvency practitioner in the main insolvency proceedings, may stay the opening of secondary insolvency proceedings for a period not exceeding three months, provided that suitable measures are in place to protect the interests of local creditors.

Under Article 46 of the EU Insolvency Regulation, the court which opened the secondary insolvency proceedings will also stay the process of realization of assets in whole or in part on receipt of a request from the insolvency practitioner in the main insolvency proceedings, for a renewable period of up to three months, unless such a request is manifestly of no interest to the creditors in the main insolvency proceedings. Such stay may be continued or renewed for similar periods. In the case where the court stays the process of realization of the assets, the court may require the insolvency practitioner in the main insolvency proceedings to take any suitable measure to guarantee the interests of the creditors in the secondary insolvency proceedings and of individual classes of creditors.

Pursuant to Article 4 of the EU Insolvency Regulation, a court requested to open insolvency proceedings will be required to examine whether it has jurisdiction pursuant to Article 3; such decision may be challenged by the debtor or any creditor on grounds of international jurisdiction.

In the event that the Issuer, the Guarantors or any provider of collateral experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings will be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer, the Guarantors and the collateral provided by any other company. The insolvency, administration and other laws of the jurisdictions in which the respective companies are organized or operate may be materially different from, or conflict with, each other and there is no assurance as to how the insolvency laws of the potentially involved jurisdictions will be applied in relation to one another.

Insolvency Proceedings Involving Members of a Group of Companies

The EU Insolvency Regulation provides for a cooperation and communication mechanism in the event that insolvency proceedings concerning two or more members of a group of companies are opened. Insolvency practitioners appointed in proceedings concerning a member of the group shall cooperate with any insolvency practitioner appointed in proceedings concerning another member of the group to the extent that such cooperation is appropriate. Similarly, the court which has opened proceedings shall also cooperate with any other court before which a request is made to open proceedings concerning another member of the group to the extent that cooperation is appropriate to facilitate the effective administration of the proceedings, is not incompatible with the rules applicable to them and does not entail any conflict of interest. In this respect, the courts may, where appropriate, appoint a third party, provided that this is not incompatible with the rules applicable to them.

Germany

The Issuer and RENK Aktiengesellschaft as Guarantor are organized under the laws of Germany, have their registered offices in Germany and, except for shareholding interests in certain subsidiaries, substantially all of their assets are located in Germany. In the event of an insolvency of the Issuer and these certain Guarantors under the laws of Germany at the time the application for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) is filed, German insolvency law would most likely be initiated in Germany. Such proceedings would then be governed by German law. Under certain circumstances, insolvency proceedings may also be opened in Germany in accordance with German law over the assets of companies that are not established under German law (for example, if the center of main interests of such company is within Germany) or, vice versa, insolvency over the Issuer or such German Guarantors may be opened in other jurisdictions.

The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may not be as favorable to your interest as creditors as the insolvency laws of other jurisdictions with which you may be familiar, including, *inter alia*, with respect to priority of creditors' claims, the ability to obtain post-petition interest as well as in certain circumstances priority recovery for secured creditors and the duration of the insolvency proceedings, and hence may limit the ability of creditors to recover payments due on the Notes and the Guarantees to an extent exceeding the limitations arising under other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Germany:

Under German insolvency law, there is no group insolvency concept, which generally means that, despite the economic ties between various entities within one group of companies, there will be one separate insolvency proceeding for each of the entities if and to the extent there exists an insolvency reason on the part of the relevant entity. Each of these insolvency proceedings will be legally independent from all other insolvency proceedings (if any) within the group. In particular, there is no consolidation of assets and liabilities of a group of companies in the event of insolvency and no pooling of claims among the respective entities of a group. Recently, the German legislator adopted an act to facilitate the handling of group insolvencies (*Gesetz zur Erleichterung der Bewältigung von Konzerninsolvenzen*) which entered into force on April 21, 2018. However, this act mainly provides for coordination of and cooperation between insolvency proceedings of group companies. The act does not provide for a consolidation of the insolvency proceedings of the insolvent group companies, or a consolidation of the assets and liabilities of a group of companies or pooling of claims amongst the respective entities of a group, but rather stipulates four key amendments of the German Insolvency Code in order to facilitate an efficient administration of group insolvencies: (i) a single court may be competent for each group entity insolvency proceeding; (ii) the appointment of a single person as insolvency administrator for all group companies is facilitated; (iii) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors' committees; and (iv) certain parties may apply for "coordination proceedings" (*Koordinationsverfahren*) and the appointment of a "coordination insolvency administrator" (*Koordinationsverwalter*) with the ability to propose a "coordination plan" (*Koordinationsplan*).

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that the debtor or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event that the debtor is unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). According to the relevant provision of the German Insolvency Code (*Insolvenzordnung*), a debtor is over-indebted when its liabilities exceed the value of its assets (based on their liquidation values), unless a continuation of the debtor's business is predominantly likely (*überwiegend wahrscheinlich*) at least for the current and the subsequent fiscal year (*positive Fortführungsprognose*). As a guideline, the debtor is deemed illiquid if it is unable to pay 10% or more of its due and payable liabilities during the subsequent three weeks, unless it is virtually certain that the company can close the liquidity gap shortly thereafter (*demnächst*) and it can be deemed acceptable to the creditor to continue to wait for the payments owed by such debtor. If a stock corporation (*Aktiengesellschaft—AG*), a European law stock corporation based in Germany (*Societas Europaea—SE*) or a company with limited liability (*Gesellschaft mit beschränkter Haftung—GmbH*) or any company not having an individual as personally liable shareholder or partner—such as the Issuer and the German Guarantors—the management of such company and, under certain circumstances, its shareholders, are obliged to file for the opening of insolvency proceedings without undue delay, however, at the latest within three (3) weeks after the mandatory insolvency reason, *i.e.*, illiquidity and/or over-indebtedness, occurred. Non-compliance with these obligations exposes the management to both severe damage claims as well as sanctions under criminal law. Once illiquidity or over-indebtedness occurred, any payments, including any payments under the Notes or the Guarantees, may be voidable. A debtor is not considered over indebted even when its liabilities exceed the value of its assets if, given the circumstances, it is more likely than not that the debtor's business can survive as a going concern. In addition, only the debtor, but not the creditors, can file for the opening of insolvency proceedings in the event of imminent illiquidity (*drohende Zahlungsunfähigkeit*), *i.e.*, if there is the imminent risk of the company being unable to pay its debts as and when they fall due at some point in time within a certain prognosis period, whereas imminent illiquidity does not give rise to an obligation for the management of the debtor to file for insolvency proceedings.

If a company faces imminent illiquidity (*drohende Zahlungsunfähigkeit*) and/or is over indebted (*Überschuldung*) it may also file for preliminary debtor in possession moratorium proceedings (*Schutzschirmverfahren*) unless—from a third-party perspective—there is no reasonable chance for a successful restructuring. Upon such filing by the debtor, the court will appoint a preliminary trustee (*vorläufiger Sachwalter*) and prohibit enforcement measures (other than with respect to immoveable assets). It may also implement other preliminary measures to protect the debtor from creditor enforcement actions for up to three months. During that period, the debtor shall prepare an insolvency plan which ideally shall be implemented in formal debtor in possession proceedings (*Eigenverwaltung*) after formal insolvency proceedings have been opened.

The insolvency proceedings are controlled by the competent insolvency court, which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings insofar as these protective measures are reasonable to protect the debtor's assets and/or to ensure the continuation of the debtor's business.

The Act to Temporarily Suspend the Obligation to File for Insolvency and to Limit Directors' Liability in the Case of Insolvency Caused by the Covid-19 Pandemic, which was adopted on March 27, 2020 (the "**COVInsAG**"), provides for a suspension of the obligation to file for insolvency until September 30, 2020. The suspension applies unless the insolvency is not caused by consequences of the Covid-19 pandemic or there is no prospect of remedying the existing illiquidity (*Zahlungsunfähigkeit*). If the debtor was able to pay its debts on December 31, 2019—so that the debtor was not illiquid (*zahlungsunfähig*)—it is assumed that the insolvency was caused by the effects of the Covid 19 pandemic and that there are prospects of remedying an existing illiquidity (*Zahlungsunfähigkeit*). The COVInsAG also provides that insolvency proceedings based on creditors' insolvency filings in the period from March 28, 2020 to June 28, 2020 can only be opened if the event of illiquidity or over-indebtedness already existed on March 1, 2020. However, the Federal Ministry of Justice and Consumer Protection will be authorized by regulation to extend the suspensions until March 31, 2021 if this appears to be necessary due to the continuing demand for available public aid, ongoing financing difficulties, or other circumstances. The COVInsAG also provides for a relief from claw-back for the satisfaction of claims or the provision of collateral for these claims, which the creditor was entitled to receive and unless the creditor knew that the restructuring and refinancing efforts of the debtor were not suitable to eliminate an existing illiquidity of the debtor in the meaning of section 17 of the German Insolvency Code (*Insolvenzordnung*).

Unless the debtor has applied for debtor in possession proceedings (*Eigenverwaltung*) (in which event the court will generally only appoint a preliminary trustee (*vorläufiger Sachwalter*) who will supervise the management of the affairs by the debtor) the insolvency court will in most cases appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*). The rights and duties of the preliminary administrator depend on the decision of the court. The duties of the preliminary administrator may include safeguarding and preserving the debtor's property and assessing whether the debtor's net assets will be sufficient to cover at least the costs of the insolvency proceedings. Depending on the decision of the court, the right to manage the business and dispose of the assets of the debtor may pass to the preliminary insolvency administrator. The insolvency court can also order a stay of all enforcement measures by unsecured creditors against the debtor and other measures the court sees as appropriate.

During preliminary insolvency proceedings, the insolvency court has to appoint a "preliminary creditors' committee" (*vorläufiger Gläubigerausschuss*) if the debtor satisfies at least two of the following three requirements:

(a) balance sheet total in excess of €6,000,000 (after deducting an equity shortfall if the debtor is over indebted);

(b) revenues of at least €12,000,000 in the twelve months prior to the last day of the financial year preceding the filing; and/or

(c) fifty or more employees on an annualized average basis.

The preliminary creditors' committee will be able to participate in certain important decisions made in the preliminary insolvency proceedings. It will have, for example, the power to influence the following: the selection of a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*) or an insolvency administrator (*Insolvenzverwalter*); court orders for debtor in possession proceedings (*Anordnung der Eigenverwaltung*); and appointments of (preliminary) trustees ((*vorläufiger) Sachwalter*). The court opens formal insolvency proceedings (*Eröffnung des Insolvenzverfahrens*) if certain formal requirements are met, including if (i) the debtor is in a situation of imminent illiquidity (if the petition has been filed by the debtor), illiquidity and/or over indebted and (ii) if there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient to cover such costs, the insolvency court will only open formal insolvency proceedings if third parties (*e.g.*, creditors), advance the costs themselves. In the absence of such advancement, the petition for the opening of insolvency proceedings will usually be refused for insufficiency of assets (*Abweisung mangels Masse*).

Unless the court has ordered debtor in possession proceedings (*Eigenverwaltung*) (in which case the court will only appoint a trustee (*Sachwalter*) who will supervise the management of the affairs by the debtor), upon opening of the insolvency proceedings, the court will appoint an insolvency administrator (*Insolvenzverwalter*) who has full administrative and disposal authority over the debtor's assets, whereas the debtor is no longer entitled to dispose of its assets. The insolvency creditors (*Insolvenzgläubiger*) will only be entitled to change the individual appointed as insolvency administrator at the occasion of the first creditors' assembly (*erste Gläubigerversammlung*) with such change requiring that (i) a simple majority of votes cast (by heads and amount of insolvency claims) has voted in favor of the proposed individual to become insolvency administrator and (ii) the proposed individual being eligible as officeholder, *i.e.*, sufficiently qualified, business experienced and impartial. The insolvency administrator (or in the case of debtor in possession proceedings (*Eigenverwaltung*), the debtor) may raise new financial indebtedness and incur other liabilities to continue the debtor's operations, and satisfaction of these liabilities as preferential debts of the estate (*Masseverbindlichkeiten*) will be preferred to any insolvency liabilities created by the debtor including the Guarantees.

The insolvency administrator or trustee may also challenge transactions that are deemed detrimental to insolvency creditors and which were effected prior to the opening of the insolvency proceedings.

From the perspective of the holders of the Notes, among others, some important consequences of such opening of formal insolvency proceedings against the Issuer, any Guarantor or any of their relevant subsidiaries that are subject to the German insolvency regime would be the following:

- if the court does not order debtor-in-possession status (*Eigenverwaltung*), the right to administer and dispose of the assets of the Issuer, such Guarantor or any of their relevant subsidiaries would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate;

- if the court does not order debtor-in-possession status (*Eigenverwaltung*) with respect to the Issuer, such Guarantor or any of their relevant subsidiaries, disposals effected by the management of the Issuer, such Guarantor or such subsidiary, after the opening of formal insolvency proceedings, are null and void by operation of law;
- if, during the final month preceding the date of filing for insolvency proceedings or thereafter, a creditor in the insolvency proceedings has acquired through execution (*e.g.*, attachment) a security interest in part of the Issuer's, such Guarantor's or any of their relevant subsidiaries' property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of formal insolvency proceedings;
- claims against the Issuer, such Guarantor or any of their relevant subsidiaries may only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*) and
- any person that has a right for separation (*Aussonderung*) (*i.e.*, the relevant asset of this person does not constitute part of the insolvency estate) does not participate in the insolvency proceedings; the claim for separation must be enforced in the course of ordinary court proceedings against the insolvency administrator.

Under German insolvency law, termination rights, automatic termination events or "escape clauses" entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings with respect to the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract (*Wahlrecht des Insolvenzverwalters*) unless they reflect termination rights applicable under statutory law. This will likely also relate to agreements that are not governed by German law.

All creditors, whether secured or unsecured (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*)) as opposed to a preferential right (*Absonderungsrecht*), wishing to assert claims against the insolvent debtor need to participate in the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code (*Insolvenzordnung*). Any judicial enforcement action (*Zwangsvollstreckung*) brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened. Therefore, secured creditors are generally not entitled to enforce any security interest outside the insolvency proceedings. In the insolvency proceedings, however, secured creditors have certain preferential rights (*Absonderungsrechte*). Depending on the legal nature of the security interest entitlement to enforce such security is either vested with the secured creditor or the insolvency administrator. In this context, it should be noted that the insolvency administrator generally has the sole right to realize any moveable assets in his/the debtor's possession which are subject to preferential rights (*e.g.*, liens over movable assets (*Mobiliarsicherungsrechte*) or security transfer of title (*Sicherungsübereignung*)) as well as to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). In case the enforcement right is vested with the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add up to 9% of the gross enforcement proceeds plus value added tax (if any), are disbursed to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. With the remaining unencumbered assets of the debtor the insolvency administrator has to satisfy the creditors of the insolvency estate (*Massegläubiger*) first (including the costs of the insolvency proceedings as well as any preferred liabilities incurred by the insolvency estate after the opening of formal insolvency proceedings). Thereafter, all other claims (insolvency claims—*Insolvenzforderungen*), in particular claims of unsecured insolvency creditors and residual claims of secured insolvency creditors reaming after realization of the available collateral (if any), will be satisfied on a pro rata basis if and to the extent there is value remaining in the insolvency estate (*Insolvenzmasse*) after the security interest and the preferential claims against the estate have been settled and paid in full.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a movable asset that is subject to this right. The insolvency administrator must, however, compensate the creditor for any loss of value resulting from such use.

Other than secured and unsecured creditors, German insolvency law provides for certain creditors and their claims to be subordinated by law (including, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the repayment of shareholder loans or similar claims), while claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to the claims of regular, unsecured creditors. Claims of subordinated creditors in the insolvency proceedings (*nachrangige Insolvenzgläubiger*) are satisfied only after the claims of other non-subordinated creditors (including the unsecured insolvency claims) have been fully satisfied. See also below under "*Satisfaction of Subordinated Claims*."

During the suspension of filing obligations as set out in the preceding paragraph, the COVInsAG also provides for a relief from lender liability, as any new loans or the provision of collateral for such loans is not regarded against *bonos mores*. This relief shall include deferrals and "amend & extend" transactions.

While in ordinary insolvency proceedings, the value of the Issuer's, any Guarantor's or any of their relevant subsidiaries' assets will be realized by a piecemeal sale or, as the case may be, by a bulk sale of the entity's business as a going concern, a different approach aiming at the rehabilitation of such entities can be taken based on an insolvency plan (*Insolvenzplan*). Such plan can be submitted by the debtor or the insolvency administrator and requires, among other things and subject to certain exceptions, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules and the approval of the insolvency court (while a group of dissenting creditors or the debtor can under certain circumstances be crammed down). If the debtor is a corporate entity, also the shares or, as the case may be, the membership rights in the debtor can be included in the insolvency plan, *e.g.*, they can be transferred to third parties, including a transfer or issuance to creditors based on a debt-to-equity swap. Moreover, if the debtor has filed a petition for the opening of insolvency proceedings based on an insolvency reason other than illiquidity (*i.e.,* imminent illiquidity or over-indebtedness), combined with a petition to initiate such process based on a debtor-in-possession status and can prove that a restructuring of its business is not obviously futile (*offensichtlich aussichtslos*), the court may grant a period of up to three months to prepare an insolvency plan for the debtor business (*Schutzschirm*). During this period, the creditors' rights to enforce security may—upon application of the filing debtor—be suspended. Under these circumstances, the insolvency court has to appoint a custodian (*Sachwalter*) to supervise the process. The debtor is entitled to suggest an individual to be appointed as custodian with such suggestion being binding on the insolvency court unless the suggested person is obviously not eligible to become a custodian (*i.e.*, is obviously not competent or impartial).

Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrators opt for performance.

Under the German Insolvency Code, the insolvency administrator (or in case of debtor-in-possession proceedings, the custodian) may void (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and which were effected prior to the opening of formal insolvency proceedings during applicable voidable periods. Generally, if transactions, performances or other acts are successfully voided by the insolvency administrator or custodian, as the case may be, any amounts or other benefits derived from such challenged transaction, performance or act will have to be returned to the insolvency estate. The administrator's or custodian's right to void transactions can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing for the commencement of insolvency proceedings. In the event of insolvency proceedings with respect to the Issuer, any Guarantor or any of their relevant subsidiaries based on and governed by the insolvency laws of Germany, the payment of any amounts to the holders as well as the granting of Collateral for or providing credit support for the benefit of the Notes could be subject to potential challenges (*i.e*., clawback rights) by an insolvency administrator or custodian under the rules of voidness (*Insolvenzanfechtung*) as set out in the German Insolvency Code (*Insolvenzordnung*). To the extent such a transaction is successfully voided (*angefochten*), the holders of the Notes, may not be able to recover or retain any amounts under the Notes, the Guarantees or the Collateral and may participate in the insolvency proceedings as unsecured creditor only. If payments have already been made under the Notes, the Guarantees or Collateral, any amounts received from a transaction that had been voided would have to be repaid to the insolvency estate

(*Insolvenzmasse*). In this case, the holders of the Notes would only have a general unsecured claim under the Notes or the Guarantees, as applicable, without preference in insolvency proceedings.

Against this background, an act (*Rechtshandlung*) or a legal transaction (*Rechtsgeschäft*) (which term includes the granting of a guarantee, the provision of security and the payment of debt) detrimental to the creditors of the debtor may be voided according to the German Insolvency Code (*Insolvenzordnung*) in particular in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) if such act was taken (a) during the last three months prior to the filing of a petition for the commencement of insolvency proceedings, if the debtor was illiquid (*zahlungsunfähig*) at the time such act was taken and the creditor knew of such illiquidity (or of circumstances that imperatively suggest that the debtor was illiquid) at such time, or (b) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances imperatively suggesting such illiquidity or filing), whereby in each case an affiliated party shall be presumed to have been aware of the debtor's insolvency or of the filing to open insolvency proceedings;
- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) to which such creditor was not entitled or which was granted or obtained in a form in which or at a time at which such creditor was not entitled to such security or satisfaction, if (a) such act was taken during the last month prior to the filing of the petition for the commencement of insolvency proceedings or after such filing, (b) such act was taken during the second or third month prior to the filing of the petition and the debtor was illiquid at such time or (c) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that imperatively suggest such detrimental effect), whereby in each case an affiliated party shall be presumed to have been aware of the detrimental nature of such transaction for the other creditors;
- any legal transaction effected by the debtor that directly disadvantages the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against the debtor is obtained or becomes enforceable, provided it was entered into (a) during the three months prior to the filing of the petition of the commencement of insolvency proceedings and the debtor was illiquid at the time of such transaction and the other party to such transaction knew of the illiquidity (or of circumstances that imperatively suggest that the debtor was illiquid) at such time or (b) after the filing of the petition for the commencement of insolvency proceedings and the other party to such transaction knew of either the debtor's illiquidity or such filing (or of circumstances imperatively suggesting such illiquidity or filing) at the time of the transaction, whereby in each case an affiliated party shall be presumed to have been aware of the debtor's illiquidity or of the filing to open insolvency proceedings;
- any act by the debtor without (adequate) consideration (*e.g.*, whereby a debtor grants security for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*)), if it was effected in the four years prior to the filing of the petition for the opening of insolvency proceedings;
- any act performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing, if the debtor acted with the intention of prejudicing its insolvency creditors (*vorsätzliche Gläubigerbenachteiligung*) and the beneficiary of the act knew of such intention at the time of such act; in case the relevant act granted a creditor, or enabled a creditor to obtain, security or satisfaction for a debt, the above ten-year period is reduced to four years; "knowledge by the beneficiary of the act" in terms of such provision is presumed if the beneficiary knew that the debtor was imminently illiquid (*drohende Zahlungsunfähigkeit*) and that the relevant act disadvantaged the other creditors; in case the relevant act granted a creditor, or enabled a creditor to obtain, security or satisfaction in a form or at a time to which or at which such creditor was entitled, the "knowledge by the beneficiary of the act" is presumed if the beneficiary knew that the debtor was actually illiquid (*eingetretene Zahlungsunfähigkeit*) and that the relevant act disadvantaged the other creditors; the fact that the creditor agreed on a payment plan with the debtor or agreed to deferred payments establishes a presumption that he had no knowledge of the debtor being illiquid at this time;

- any non-gratuitous contract (*entgeltlicher Vertrag*) concluded between the debtor and a related party (*nahestehende Person*) which directly disadvantages the creditors can be challenged unless such contract was concluded earlier than two years prior to the filing of the petition for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors as at the time the contract was concluded;
- any act that provides security (*Sicherung*) or satisfaction (*Befriedigung*) for a shareholder loan (*Gesellschafterdarlehen*) made to the debtor or an economically similar claim if (a) in the case of the provision of security (*Sicherung*), the act took place during the ten years prior to the filing of the petition for the commencement of insolvency proceedings or after the filing of such petition, or (b) in the case of satisfaction (*Befriedigung*), the act took place during the last year prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition.
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the satisfaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter, and (ii) a shareholder of the debtor had granted security or was liable as a guarantor or surety (*Garant oder Bürge*) (in which case the shareholder must compensate the debtor for the amounts paid (subject to further conditions)).

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if he or she knew of the debtor's illiquidity or imminent illiquidity, as the case may be, and that the transaction prejudiced the debtor's creditors. With respect to an "affiliated party," there is a general statutory presumption that such party had "knowledge."

The COVInsAG, however, provides for a privileged treatment of any kind of newly granted third-party financing (*i.e.*, not only traditional cash loans but also commercial credits and other forms of financing) and shareholder loans under German insolvency law avoidance provisions. Thus, the repayment (including reasonable interest payments) of third-party financing and shareholder loans by September 30, 2023 shall not be considered disadvantageous to creditors if the relevant financing is granted between March 1, 2020 and September 30, 2020 and the debtor fulfilled the requirements for the suspension of the filing duties. This privilege also includes the provision of collateral in favor of third-party financing providers, but does not apply in case of the provision of collateral in favor of a shareholder loan or receivables from economically similar acts.

The granting of security concurrently with the incurrence of debt may be qualified as a "cash transaction" and may as such be privileged *i.e.*, under certain circumstances, not being subject to voidness rights under the German Insolvency Code (*Insolvenzordnung*) (*Bargeschäftsprivileg*).

Apart from the examples of an insolvency administrator or custodian voiding transactions according to the German Insolvency Code (*Insolvenzordnung*) described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also void any security right or payment performed under the relevant security right according to the German Law of Voidness (*Anfechtungsgesetz*) outside formal insolvency proceedings. The prerequisites vary to a certain extent from the rules described above and the voidance periods are calculated from the date a creditor exercises its rights of voidance in the courts.

The German insolvency laws may be subject to further amendments in near future. On June 20, 2019, the Directive (EU) 2019/1023 of the European Parliament and of the Council of 20 June 2019 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt and amending Directive (EU) 2017/1132 (the "Restructuring Directive") has been adopted. The member states have approximately two years to transpose the substantive parts of the Restructuring Directive into their national legislation, although a one-year extension can be granted. The Restructuring Directive aims to put in place key principles for all member states on, *inter alia*, effective preventive restructuring and measures to make all types of insolvency procedures more efficient. The key feature of the Restructuring Directive is the introduction of a preventive restructuring framework. The Restructuring Directive sets out minimum EU standards to be applied by the member states (*i.e.*, minimum harmonization) but leaves a large degree of discretion regarding the implementation of certain other features. Most notably, the Restructuring Directive provides for a framework pursuant to which claims of the relevant creditors may be modified in a restructuring plan by majority vote with a majority of not more than 75% of the amount of claims in each class and where applicable a majority by numbers and against the voting of a single creditor in a pre-insolvency restructuring procedure, *i.e.*, outside formal insolvency proceedings. The Restructuring Directive also provides for cross-class cram-down, *i.e.*, even if the creditors of one class voting on the restructuring plan did not consent to the restructuring plan with the required majority, the restructuring plan might still be adopted and take effect for the dissenting creditors. Further, the Restructuring Directive provides for a stay on enforcement, which needs to be transposed into national legislation. The implementation of the Restructuring Directive into national legislation might also include priority ranking for new financing.

Satisfaction of Subordinated Claims

The insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date when the insolvency proceedings were opened. The following claims shall be satisfied ranking below the other claims of insolvency creditors in the order given below, and according to the proportion of their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the day of the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as such incidental legal consequences of a criminal or administrative offence binding the debtor to pay money; (iv) claims to the debtor's gratuitous performance of a consideration; and (v) claims for repayment of a shareholder loan (*Gesellschafterdarlehen*) or claims resulting from legal transactions corresponding in economic terms to such a loan. The CovInsAG, however, suspends the statutory subordination of shareholder loans and receivables from economically similar acts in insolvency proceedings applied for up until September 30, 2023 for newly granted shareholder loans granted between March 1, 2020 and September 30, 2020 and where the debtor fulfilled the requirements for the suspension of the filing duties.

Limitations on Validity and Enforceability of the Guarantee and the Security Interests

GmbH Limitation Language

The granting of guarantees by German Guarantors will be subject to certain provisions of the German Act regarding Companies with Limited Liability (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*) (the "**GmbHG**") if that Guarantor is incorporated in Germany in the legal form of a German limited liability company (*Gesellschaft mit beschränkter Haftung*—a "**GmbH**") or a German limited partnership with a German limited liability company as general partner (a "**GmbH & Co. KG**").

As a general rule, sections 30 and 31 of the GmbHG ("**Sections 30 and 31**") prohibit a GmbH from disbursing its assets to its shareholders to the extent that the amount of the GmbH's net assets (*i.e*., assets less liabilities and liability reserves)—or, in case of a GmbH & Co. KG, its general partner's net assets—is or would fall below the amount of its stated share capital (*Stammkapital*). Guarantees or security interests granted by a GmbH or a GmbH & Co. KG in order to guarantee liabilities of a direct or indirect parent or sister company are considered disbursements under sections 30 and 31 GmbHG. Moreover, under section 64 sentence 3 GmbHG a managing director (*Geschäftsführer*) of a GmbH can be held personally liable in certain circumstances for payments to shareholders that would render the GmbH illiquid. The granting of guarantees and security interests for the benefit of direct or indirect parent or sister companies of the GmbH could be considered as such disbursements and payments to shareholders. In relation to a GmbH& Co. KG the capital maintenance and liquidity maintenance rules and principles described above for GmbHs apply, mutatis mutandis, also to the general partners of the GmbH & Co. KGs.

Therefore, in order to enable German subsidiaries to grant guarantees and to provide security interests to secure liabilities of a direct or indirect parent or sister company without the risk of violating German capital maintenance and/or liquidity maintenance rules and to limit any potential personal liability of the management, it is standard market practice for notes, credit agreements, indentures, related guarantees and related security documents to contain so-called "limitation language" in relation to subsidiaries incorporated in Germany in the legal form of a GmbH or a GmbH & Co. KG. Pursuant to such "limitation language," the beneficiaries of the guarantees contractually agree to enforce the guarantees and security interests against the German subsidiary only if and to the extent that such enforcement does not result in the subsidiary's—or, in case of a GmbH & Co. KG, in the general partner's—net assets falling below, or increasing an existing shortfall of, its stated share capital.

Accordingly, as a matter of German corporate law, the Notes Documents will contain a limitation language substantially in the form as follows. This could lead to a situation in which the respective guarantee granted by such Guarantor cannot be enforced at all.

The Limitation Language for any German Limited Liability company (*Gesellschaft mit beschränkter Haftung*—a "**GmbH**") incorporated into the relevant Notes Documents, in particular in the security documents, is substantially in the form as follows:

(a) Definitions:

"**Auditors' Determination**" shall have the meaning ascribed to that term in paragraph (e) below.

"**Capital Impairment**" shall have the meaning ascribed to that term in paragraph (b) below.

"**Enforcement Notice**" shall have the meaning ascribed to that term in paragraph (d) below.

"**German Guarantor**" means any Guarantor established or incorporated in Germany as (x) a limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*) (a "**German GmbH Guarantor**") or (y) a limited partnership (*Kommanditgesellschaft*) with a limited liability company as general partner (a "**German GmbH & Co. KG Guarantor**") in relation to whom the Trustee intends to demand payment under the guarantee and indemnity created under this Indenture (the "**Relevant Guarantee**").

"**Guaranteed Obligor**" shall have the meaning ascribed to that term in paragraph (b) below.

"**Management Determination**" shall have the meaning ascribed to that term in paragraph (d) below.

"**Net Assets**" means (except to the extent to be calculated differently pursuant to jurisprudence from time to time of the German Federal Supreme Court (*Bundesgerichtshof*) relating to the protection of liable capital pursuant to applicable laws) the relevant company's assets (Section 266 paragraph (2) A, B, C, D and E German Commercial Code (*Handelsgesetzbuch*), less the aggregate of its liabilities (Section 266 paragraph (3) B (but disregarding any accruals (*Rückstellungen*) in respect of a potential enforcement of the Relevant Guarantee, any other guarantee granted to secure any indebtedness which is subject to the Intercreditor Agreement or any Lien on the Collateral), C, D and E German Commercial Code), the amount of profits (*Gewinne*) not available for distribution to its shareholders in accordance with sections 253 paragraph 6, 268 paragraph 8 and 272 paragraph 5 German Commercial Code (in each case to the extent forming part of the assets and not already deducted as liabilities) and the amount of its stated share capital (*Stammkapital*).

"**Up-stream and/or Cross-stream Guarantee**" means any Relevant Guarantee if and to the extent such Relevant Guarantee secures the obligations of the Issuer or a Guarantor which is a shareholder of a German Guarantor (and/or, in the case of a GmbH & Co. KG, of its general partner) or an affiliated company (*verbundenes Unternehmen*) of such shareholder within the meaning of section 16, 17 or 18 of the German Stock Corporation Act (*Aktiengesetz*) (other than the German Guarantor and its Subsidiaries and, in the case of a GmbH & Co. KG, the general partner and its Subsidiaries), provided that it shall not constitute an Up-stream and/or Cross-stream Guarantee if and to the extent the relevant Guarantee guarantees amounts outstanding under any Notes Document in relation to any financial accommodation made available under such Notes Document and on-lent or otherwise passed on to, or issued for the benefit of, the relevant German Guarantor or any of its Subsidiaries (and, where the German Guarantor is a GmbH & Co. KG, to, or for the benefit of, its general partner or any of its Subsidiaries) and outstanding from time to time (e.g not repaid or otherwise retuned by the relevant German Guarantor (or its subsidiaries or general partner)).

(b) The Trustee and the holders of the Notes agree not to enforce the Relevant Guarantee by a German Guarantor if and to the extent that Relevant Guarantee guarantees any liability of the Issuer, a Guarantor or other member of the Group which is an Affiliate of that German Guarantor (other than that German Guarantor's Subsidiaries) (the "**Guaranteed Obligor**") and if and to the extent that a payment under the Relevant Guarantee would cause that German Guarantor's (or, in the case of a German GmbH & Co. KG Guarantor, its general partners') Net Assets (determined pursuant to paragraphs (c), (d) and/or (e) below) to be reduced below zero, or further reduced if already below zero in each case resulting in a violation of sections 30 or 31 of the German Limited Liability Companies Act (*GmbHG*) (as amended from time to time) (a "**Capital Impairment**").

(c) For the purposes of the calculation of the Net Assets the following balance sheet items shall be adjusted as follows:

(i) the amount of any increase of the stated share capital (*Erhöhungen des Stammkapitals*) of the relevant German Guarantor (or, where the German Guarantor is a German GmbH & Co. KG Guarantor, its general partner) as of the date hereof or, if the German Guarantor is an Additional Guarantor, as of the date it became a German Guarantor to the extent (A) prohibited under the Notes Documents, (B) that has been effected without the prior written consent of the Trustee and (C) which is made out of retained earnings (*Kapitalerhöhung aus Gesellschaftsmitteln*), shall be deducted from the stated share capital;

(ii) liabilities incurred by the relevant German Guarantor in grossly negligent or willful violation of the Notes Documents shall be disregarded; and

(iii) loans and other liabilities (*Verbindlichkeiten*) which are subordinated or considered subordinated by law or by contract to the rank of section 39 subsection 1 no. 5 German Insolvency Code (*InsO*) ("**InsO**") or section 39 sub-section 2 InsO to any Indebtedness outstanding under this Indenture (including liabilities in respect of guarantees for loans or other liabilities which are so subordinated) shall be disregarded **provided that** a waiver or conversion into equity of, or other form of extinguishing, the relevant repayment claim under loans and other liabilities subordinated to the rank of section 39 sub-section 1 No. 5 InsO does not lead to personal liability of the directors of the relevant member of the Group as lender.

(d) The relevant German Guarantor shall deliver to the Trustee, within 20 Business Days after receipt from the Trustee of a notice stating that it intends to demand payment under the Relevant Guarantee (the "**Enforcement Notice**"), its up-to-date balance sheet, or in the case of a German GmbH & Co. KG Guarantor its and its general partner's balance sheet, together with a detailed calculation of the amount of its (and, as applicable, its general partner's) Net Assets taking into account the adjustments set forth in paragraph (c) above (the "**Management Determination**"). Such balance sheet and Management Determination shall be prepared in accordance with the Accounting Principles as consistently applied. The Management Determination shall be prepared as of the date of receipt of the Enforcement Notice.

(e) Following the Trustee's receipt of the Management Determination, upon request by the Trustee, the relevant German Guarantor shall deliver to the Trustee within 30 Business Days of such request its up-to-date balance sheet, or in the case of a German GmbH & Co. KG Guarantor its and its general partner's balance sheet, drawn-up by auditors of international standard and reputation or otherwise acceptable to the Trustee together with a detailed calculation of the amount of the relevant Net Assets taking into account the adjustments set forth in paragraph (c) above (the "**Auditors' Determination**"). Such balance sheet and Auditors' Determination shall be prepared in accordance with the Accounting Principles as consistently applied. The Auditors' Determination shall be prepared as of the date of receipt of the Enforcement Notice. The amounts determined in the Auditor's Determination shall be (except for manifest error) binding for all parties.

(f) The Trustee shall be entitled to demand payment under the Relevant Guarantee in an amount which would, in accordance with the Management Determination or, if applicable and taking into account any previous enforcement in accordance with the Management Determination, the Auditors' Determination, not result in a Capital Impairment. If and to the extent that the Net Assets as determined by the Auditors' Determination are lower than the amount enforced in accordance with the Management Determination the Trustee shall release, within 10 Business Days of delivery of the Auditor's Determination, to the relevant German Guarantor (or in case of a German GmbH & Co. KG Guarantor to its general partner) such excess enforcement proceeds. If it has requested an Auditor's Determination, the Trustee may abstain from distributing any proceeds of a demand under the Relevant Guarantee made in accordance with the Management Determination until the date falling 10 Business Days after delivery of the Auditor's Determination.

(g) In addition, each German Guarantor and, in the case of a German GmbH & Co. KG Guarantor, also its general partner, shall within three months after receipt of the Enforcement Notice realize, to the extent legally permitted and to the extent necessary to satisfy the obligations of the Issuer and its Subsidiaries under the Notes Documents and the other guaranteed claims, any and all of its assets which are not required for the relevant German Guarantor's business (*nicht betriebsnotwendig*) that are shown in the balance sheet with a book value (*Buchwert*) that is substantially lower than the market value of the relevant assets if the enforcement of the Relevant Guarantee would result in a Capital Impairment.

(h) The restriction under paragraph (b) above shall not apply:

(i) if and to the extent the Guarantee is not an Up-stream and/or Cross-stream Guarantee;

(ii) if the relevant German Guarantor (as dominated entity) is subject to a domination and/or profit transfer agreement (*Beherrschungs- und/oder Gewinnabführungsvertrag*) (a "**DPTA**") except where the existence of such a DPTA would not lead to the inapplicability of section 30 German Limited Liability Companies Act (*GmbHG*);

(iii) if and to extent the relevant German Guarantor has on the date of enforcement of the Relevant Guarantee a fully recoverable indemnity or claim for refund (*vollwertiger Gegenleistungs- oder Rückgewähranspruch*) covering the Relevant Guarantee;

(iv) if insolvency proceedings have been applied for in relation to the respective German Guarantor and as a consequence any enforcement of up-stream or cross-stream guarantees and consequential payments no longer result in any personal liability of any managing director of such German Guarantor; or

(v) if and to the extent that, at the time of enforcement of the Relevant Guarantee, due to a change of the applicable laws or the jurisprudence of the German Federal Court, such limitations are not required to protect the managing directors of the relevant German Guarantor from the risk of personal liability resulting from a violation of the relevant German Guarantor's or, where the guarantor is a German GmbH & Co. KG Guarantor, its general partner's obligations to maintain its registered share capital pursuant to sections 30 et seq. GmbHG or similar provisions under the then applicable laws.

(i) For the avoidance of doubt, the limitations set out in this Section shall (further) not apply in respect of any financial accommodation made available to the relevant German Guarantor or to a Subsidiary of such German Guarantor or any other own liabilities of the relevant German Guarantor under the Notes Documents.

(j) Based on the commercial projection regarding the relevant German Guarantor's liquidity and the probability of enforcement of the Relevant Guarantee (*kaufmännische Prognoseentscheidung*) as of the date hereof, the parties assume that the granting of the Relevant Guarantee hereunder will not result in illiquidity (*Zahlungsunfähigkeit*) of any German Guarantor. Should new legislation or jurisprudence of the Federal Court of Justice (*BGH*) come into force after the date hereof and should such law or court ruling trigger a German Guarantor's managing directors' liability pursuant to Sections 64 sentence 3 GmbHG or Section 826 German Civil Code for the granting of the Relevant Guarantee, the Trustee shall upon the relevant German Guarantor's managing directors' request enter into negotiations on possible amendments to this Section to the extent necessary to avoid the managing directors' personal liability resulting from the granting of the Relevant Guarantee without the need for any further consent from the holders of the Notes.

(k) No reduction of the amount enforceable under the Relevant Guarantee in accordance with the above limitations will prejudice the rights of the Trustee to continue enforcing the Relevant Guarantee (subject always to the operation of the limitation set out above at the time of such enforcement) until full satisfaction of the guaranteed claims."

AG Limitation Language

As a general rule, section 57 German Stock Corporation Act (*Aktiengesetz*) prohibits the disbursement of the deposits to the stockholders (*Verbot der Einlagenrückgewähr*). In addition, pursuant to section 71 (a) German Stock Corporation Act (*Aktiengesetz*) the relevant German stock corporation (*Aktiengesellschaft*) may not grant any loan or grant and security to a third party for purposes of the acquisition of the stock in such German stock corporation (*Aktiengesellschaft*). Any agreement in such respect is void.

Therefore, in order to enable German stock corporations and their subsidiaries to issue guarantees or create security interests to secure liabilities of a direct or indirect parent or sister company without the risk of violating section 57 German Stock Corporation Act (*Aktiengesetz*) and/or section 71 a German Stock Corporation Act (*Aktiengesetz*), it is standard market practice for indentures, credit agreements, guarantees and security documents to contain "limitation language" in relation to subsidiaries in the legal form of a German stock corporation (*Aktiengesellschaft*). Pursuant to such limitation language, the beneficiaries of the guarantees or the security interests agree to enforce the guarantees or the security interests against the German subsidiary only to the extent that such enforcement does not lead to a violation of section 57 German Stock Corporation Act (*Aktiengesetz*) and/or section 71 a German Stock Corporation Act (*Aktiengesetz*).

Accordingly, the Guarantees, the Indenture and the Security Documents relating to the Collateral provided by the German Guarantors or other Subsidiaries of a German AG Guarantor will contain such limitation language and therefore the enforcement of the Guarantees, the Indenture and the Collateral is limited in the manner described below. This could lead to a situation in which the respective guarantee or security granted by the relevant German Guarantor cannot be enforced at all. In particular, the Target, which, together with the other guarantors, is expected to provide guarantees and certain collateral under the Notes after the Control Date under certain conditions set forth in the Indenture, is incorporated in Germany in the form of a German stock corporation (*Aktiengesellschaft*). Since all Guarantors are direct or indirect subsidiaries of the Target, all limitations applicable to a German stock corporation (*Aktiengesellschaft*) (whether by virtue of law or contractual limitation language) will consequently also apply to such subsidiaries even if incorporated in a legal form other than a German stock corporation (*Aktiengesellschaft*) or in another jurisdiction. The limitation language will also not only benefit the Target, but also other Restricted Subsidiaries, which may from time to time be incorporated, or be converted into a German stock corporation *(Aktiengesellschaft*) or SE (*Societas Europaea).*

The limitation language for any stock corporation (*Aktiengesellschaft*) incorporated into the relevant Notes Documents, in particular in the security documents, is substantially in the form as follows:

(a) For the purpose of this clause:

"**German AG Guarantor**" means any Guarantor incorporated in the Federal Republic of Germany as a stock corporation (*Aktiengesellschaft*) or SE (*Societas Europaea*).

(b) Subject to paragraph (c) below, any guarantee and indemnity granted under this Indenture by a German AG Guarantor or by any Guarantor that is a Subsidiary of that German AG Guarantor shall not secure liabilities which are owed by direct or indirect shareholders of that German AG Guarantor or Subsidiaries of such shareholders (such Subsidiaries not to include the German AG Guarantor and the Subsidiaries of that German AG Guarantor) (each, a "**Relevant AG Affiliate**") unless (i) the relevant German AG Guarantor (as dominated entity) is subject to a domination and/or profit transfer agreement (*Beherrschungs- und/oder Gewinnabführungsvertrag*) within the meaning of section 291 German Stock Corporation Act (*Aktiengesetz—AktG*) (a "**DPTA**") with a Relevant AG Affiliate (whether directly or indirectly through a chain of DPTAs between each company and its shareholder and/or any joint parent company) other than where despite the existence of such DPTA(s) there would be a violation of section 57 para. 1 sub-para. 1 and/or section 71a of the German Stock Corporation Act (*Aktiengesetz—AktG*) in case of an enforcement of the relevant guarantee obligations and (ii) such DPTA has not been cancelled or terminated prior to the demand for payment.

(c) In addition, the limitations set out in paragraph (b) above shall not apply (or, as the case may be, shall cease to apply):

   (i) with respect to any amounts lent, on-lent or otherwise made available to the relevant German AG Guarantor or its Subsidiaries, actually disbursed (whether by way of repayment of loan or other payment, repayment or retransfer of funds) and not repaid;

   (ii) (in relation to section 57 para. 1 sub-para. 3 AktG only and only if such a payment under the guarantee does not cause a violation of section 71a para. 1 sub-para. 1 AktG) if and to extent the relevant German AG Guarantor has on the date of enforcement of the guarantee a fully recoverable indemnity or claim for refund (*vollwertiger Gegenleistungs- oder Rückgewähranspruch*) against its shareholder; or

   (iii) if and to the extent that they are not required by law or pursuant to jurisprudence of the German Federal Court of Justice (*BGH*) for the purposes of protecting the members of the management board of the relevant German AG Guarantor from the risk of personal liability.

Investors should note in this context, that neither the Indenture nor the Super Senior Facilities Agreement will contain any covenant requiring the Issuer or any of its subsidiaries to take any efforts to implement or maintain a domination and/or profit and loss pooling agreement.

General Comments regarding German Limitation Language

German capital maintenance, liquidity maintenance and financial assistance rules (including with respect to Sections 30, 31 and 64 sentence 3 GmbH and Sections 57, 71a and 92 para. 2 sentence 3 AktG), are subject to evolving case law (see, for example, the more recent decision of the German Federal Supreme Court (*Bundesgerichtshof*) dated March 21,2017, file no. II ZR 93/16, regarding the preservation of the share capital). The Issuer cannot assure you that future court rulings may not further limit the access of shareholders to assets of German Guarantors constituted in the form of, as applicable, a German stock corporation (*Aktiengesellschaft*), a GmbH or a GmbH & Co. KG, which can negatively affect the ability of the German Guarantor to make payment on the Notes or of the German Guarantors to make payments on the Notes or the related guarantees or the enforceability of the Guarantees, the Indenture and the Security Documents relating to the Collateral provided by the German Guarantors.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so-called "destructive interference" (*existenzvernichtender Eingriff*) (*i.e.*, a situation where a shareholder deprives its company of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a guarantee granted or security interests granted by the Parent, the Issuer and a German Guarantor. In such case, the amount of proceeds to be realized in an enforcement process may be reduced, even to zero. Moreover, according to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security or guarantee agreement may be void due to tortious inducement of breach of contract if a creditor knows about the distressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of guarantees and/or security interests to be granted by the Issuer and the German Guarantors (including in the legal form of a German stock corporation (*Aktiengesellschaft*).

Furthermore, the beneficiary (*e.g.*, a holder of the Notes) of a transaction qualifying as a repayment of the stated share capital of the grantor of the guarantee or the security interests, as applicable, (*e.g.*, the enforcement of such guarantee or security interest) could become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if, for example, the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee or the security interests was close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

Security Interests/Parallel Debt

Under German law, certain security interests such as pledges (*Pfandrechte*) are of strict accessory nature and are therefore dependent on the secured claims and require the security holder and the creditor of the secured claim to be identical. Such accessory security interests (*akzessorische Sicherungsrechte*) (i) will automatically lapse to the extent a secured claim is settled, discharged or novated, (ii) may not be assigned independently, but would automatically follow the claims they secure in case the relevant secured claim is assigned and (iii) may only be granted to the creditor of a claim to be secured by the accessory security interest.

The accessory security interests will also be granted to the Security Agent. The Security Agent is however not a creditor under the Notes. The holders on the other hand are creditors under the Notes. In order to allow the holders to benefit from the pledges, such pledges will also secure a so-called "parallel debt" obligation created under the Intercreditor Agreement in favor of the Security Agent rather than secure the holders' claims under the Notes directly. The parallel debt is in the same amount and payable at the same time as the obligations of the Issuer and the Guarantors under the Notes and the Guarantees (the "**Principal Obligations**"), and any payment with respect to the Principal Obligations will discharge the corresponding parallel debt and any payment with respect to the parallel debt will discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the parallel debt, a claim against the Issuer and the Guarantors for the full principal amount of the Notes, the legal concept of creating parallel debt obligations has not yet been tested before a German court. Therefore, it cannot be ruled out that such concept will not be recognized by German courts or that it will eliminate or mitigate the risk of invalidity and unenforceability of pledges. Therefore, the ability of the Security Agent to enforce the collateral may be restricted.

In addition, holders of the Notes bear some risk associated with a possible insolvency or bankruptcy of the Security Agent. This means that in the case of an insolvency of the Security Agent, the insolvency administrator over the insolvency estate of the Security Agent may successfully claim that there is no separation right (*Aussonderungsrecht*) of the holders with respect to the secured claims. As a consequence the secured claims (including the parallel debt) and the accessory security rights would remain with the (then insolvent) Security Agent.

German law does not generally permit the appropriation of pledged assets by the pledgee upon enforcement of the pledge. The enforcement of a share pledge under German law usually requires the sale of the asset constituting the collateral through a formal process involving a public auction to which certain waiting periods and notice requirements apply. Under German law, it is unclear whether the security interest in the collateral gives the Security Agent the right to prevent other creditors of the entities having granted such security from foreclosing on and realizing the asset constituting the collateral. Some courts have held that certain types of security interests only give their holders priority (according to their ranking) in the distribution of any proceeds from the realization of the asset constituting the collateral and no right to intervene (*i.e.*, the right to request the court to impose a stay on proceedings initiated by other creditors).

England and Wales

Horstman Defence Systems Limited is a company incorporated under the laws of England and Wales (the "**English Obligor**"), and it is expected to become a Guarantor and a provider of Collateral at a later date. If the English Obligor conducts its business and the administration of its interests on a regular basis in and from England and Wales, an English court may conclude that the English Obligor has its "centre of main interests" (**COMI**), 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 the English Obligor. However, pursuant to the EU Insolvency Regulation, where a company incorporated under English law has its COMI in a member state of the European Union, insolvency proceedings constituting "main insolvency proceedings" under article 3(1) of the EU Insolvency Regulation for that company may, subject to certain exceptions, be commenced in the EU member state in which its COMI is located and be subject to the laws of that EU member state (see *"—European Union"* above). In addition, the Cross Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross Border Insolvency in Great Britain, provide that foreign (*i.e.*, non English) insolvency proceedings may be recognized where any English company has its COMI or an "establishment" (being a place of operations where it carries out a non-transitory economic activity with human means and assets or services) in such foreign jurisdiction. In case of any conflict, the EU Insolvency Regulation will prevail over the Cross-Border Insolvency Regulations 2006.

English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar. In the event that the English Obligor experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings. The obligations under the Notes are guaranteed by the Guarantees and secured by security interests over the Collateral. English insolvency laws and other limitations could limit the enforceability of a Guarantee against the English Obligor or security interests over the Collateral.

Note that Brexit, *i.e.*, the UK ceasing to be a member state of the European Union on January 31, 2020, will not have an immediate impact on cross-border corporate restructuring and insolvency as EU regulations will continue to apply until the end of the transition period, which, unless extended, will run until December 31, 2020. The position beyond December 31, 2020 is unknown at this time as it depends on a trade deal being agreed between the UK and the EU, and whether or not such a deal includes a replacement for the current automatic recognition of UK insolvency procedures across the EU and vice versa. In the absence of a deal addressing automatic recognition, it may be harder for UK office holders and UK restructuring and insolvency proceedings to be recognised in EU member states and to effectively deal with assets located in EU member states. Much will then depend upon the private international law rules in the particular EU member state and the need may well arise to open parallel proceedings, increasing the element of risk. In particular in cases where the appointment of a UK office holder has been made in reliance on a UK domestic approach rather than the COMI rules, there may be less certainty that the insolvency proceeding will be recognised in the relevant EU member state. However, as the post-transition period arrangements have not yet been determined, the following section outlines the relevant insolvency law considerations in England and Wales as of the date of this offering memorandum.

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on the Guarantees and the security interests over the Collateral. The application of these laws could adversely affect investors, their ability to enforce their rights under the Guarantees and/or under the Collateral securing the Notes and the Guarantees and therefore may limit the amounts that investors may receive in an insolvency of the English Obligor.

Fixed versus floating charges

There are a number of ways in which fixed charge security has advantages over floating charge security.

Until floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge.

On an insolvency of a charging company: (a) a fixed charge, even if created after the date of a floating charge, may have priority as against a floating charge over the same charged assets (provided that the floating charge has not crystallized at the time the fixed charge was granted); (b) general costs and expenses (including the remuneration of the insolvency officeholders and the costs of continuing to operate the business of the charging company while in administration) properly incurred in an insolvency process are generally payable out of the assets of the charging company (including the assets (including cash) that are the subject of the floating charge) and insolvency officeholders appointed to a charging company can convert floating charge assets to cash and use such cash to meet such general costs and expenses in priority to the claims of the floating charge holder; (c) an administrator may dispose of or take action relating to property subject to a floating charge without the prior consent of the charge holder or court, although the floating charge holder retains the same priority in respect of the proceeds from the disposal of the assets subject to the floating charge; (d) where the floating charge is not a security financial collateral arrangement, floating charge security is subject to the claims of certain preferential creditors and the ring-fencing of the Prescribed Part for unsecured creditors (see "—England and Wales—Priority on insolvency" below); and (e) there are particular insolvency "clawback" risks in relation to floating charge security.

Please note, however, that with prior approval of the court, an administrator may also deal with property subject to a fixed charge, provided that disposing of the property is likely to promote the purpose of the administration and that the administrator applies the net proceeds from the disposal of the property in question towards discharging the obligations of the company to the charge holder.

There is a possibility under English law that a court could find that some or all of the fixed security interests expressed to be created by the security documents governed by English law properly take effect as floating charges as the description given to them as fixed charges is not determinative. Whether the purported fixed security interests will be upheld as fixed security interests rather than recharacterized as floating security interests will depend, among other things, on whether the secured party has the requisite degree of control over the charging company's ability to deal with the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the security holder in practice. Where the charging company is free to deal with the assets that are the subject of a purported fixed charge in its discretion and without the consent of the chargee, the court would be likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

If any fixed security interests are recharacterized as floating security interests: (a) the proceeds of those assets could be applied in meeting other liabilities of the company in priority to the claims of the purported fixed charge holder in insolvency proceedings and (b) it is possible that the floating charge security may not relate to the whole or substantially the whole of the property of the relevant company and therefore may not constitute a "qualifying floating charge" (see also "*Administration*" and "*Qualifying floating charge*" below).

Administration

English insolvency statutes empower English courts to make an administration order in respect of an English company, a company with its COMI or an "establishment" (see "*European Union*" above) in England or indeed any company incorporated in an EEA state in certain circumstances and provided rules of private international law (including as to the entity's connection to the jurisdiction) are complied with. Without limitation and subject to specific conditions, an administration order can be made if the court is satisfied that (a) the relevant company is or is likely to become "unable to pay its debts" and (b) the administration order is reasonably likely to achieve the purpose of administration.

A company is unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due) or if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities), as per Section 123 of the Insolvency Act 1986 (the "**Insolvency Act**"). Such insolvency is presumed if, among other matters, the company fails either to satisfy a creditor's statutory demand for a debt exceeding £750 within 21 days of service or to satisfy in full or in part a judgment debt (or similar court order). The purpose of an administration is comprised of three objectives, each of which must be considered successively: (i) rescuing the company as a going concern or, (ii) if that is not reasonably practicable, achieving a better result for the company's creditors as a whole than would be likely upon immediate liquidation or, (iii) if neither of those objectives is reasonably practicable and the interests of the creditors as a whole are not unnecessarily harmed thereby, realising property to make a distribution to one or more secured or preferential creditors. The order of priority which applies to any distribution to creditors is set out below (see "*Priority on insolvency*" below). An administrator must attempt to achieve the objectives of administration order, unless he thinks it is not reasonably practicable to achieve the primary objective, or that the secondary objective would achieve a better result for the company's creditors as a whole. The administrator cannot pursue the third objective unless he thinks either the first or the second objective is unachievable and that it will not unnecessarily harm the interests of the creditors of the company as a whole to pursue the third objective.

Without limitation and subject to specific conditions, an English company, the directors of such company or the holder of a "qualifying floating charge" (as described in *"Qualifying floating charge"* below) where the floating charge has become enforceable may appoint an administrator out of court. Different appointment procedures apply according to the identity of the appointor.

An administrator is given wide powers to conduct the business of the company to which they are appointed and, subject to certain requirements under the Insolvency Act, dispose of the property of a company in administration (including property subject to a floating charge).

In addition, certain rights of creditors, including secured creditors, are curtailed in an administration. Upon the appointment of an administrator, a statutory moratorium is imposed and no step may be taken to enforce security or a guarantee over the company's property except with the consent of the administrator or leave of the court (although a demand for payment could be made under a guarantee granted by the company). The same requirements for consent or permission apply to the institution or continuation of legal process (including legal proceedings, execution, distress and diligence) against the company or property of the company. In either case, a court will consider discretionary factors in determining any application for leave in light of the hierarchy of statutory objectives of administration described above.

However, certain creditors of a company in administration may, in certain defined circumstances, be able to realize their security over certain of that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to a "security financial collateral arrangement" (generally, a charge over cash or financial instruments such as shares, bonds or tradeable capital market debt instruments and credit claims) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended) (the "**Financial Collateral Regulations**").

Accordingly, if the English Obligor were to enter into administration, the Guarantees and/or the Collateral provided by the English Obligor may not be enforceable without the permission of the court or consent of the administrator while the English Obligor was in administration. There can be no assurance that the Security Agent would obtain such permission of the court or consent of the administrator.

Qualifying floating charge

If a company grants security constituting a "qualifying floating charge" to a party for the purposes of English insolvency law, that party will be able to appoint an administrative receiver (subject to the caveat below) or an administrator out of court. The holder of a qualifying floating charge will also receive advance notice of an intention of the company to appoint an administrator or file for liquidation allowing the charge holder to appoint its own administrator or administrative receiver or to apply to court to have the company's nominee restrained from proceeding, if it can be shown this was inappropriate or for an improper purpose. A floating charge qualifies if it is created by an instrument which (a) states that the relevant statutory provision applies to it (paragraph 14 of Schedule B1 of the Insolvency Act); (b) purports to empower the holder to appoint an administrator of the company; or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the Insolvency Act. A party will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with other forms of security granted to that party, relates to the whole or substantially the whole of the property of the relevant company, and at least one such security interest is a qualifying floating charge.

Please note that it is a matter of fact whether the extent of the security granted relates to 'the whole or substantially the whole' of the property of a company and there is no statutory guidance as to what percentage of a company's assets should be charged to satisfy this test.

Administrative receivership

The ability to appoint an administrative receiver only applies to a qualifying floating charge where the security document granting such charge pre-dates September 15, 2003 or where it falls within one of the exceptions under the Insolvency Act (as amended by the Enterprise Act 2002). The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the Insolvency Act), which may apply if the issue of the Notes creates a debt of at least £50 million for the relevant English company during the life of the arrangement and the arrangement involves the issue of a "capital market investment" (which is defined in the Insolvency Act and includes rated, listed or traded debt instruments and debt instruments designed to be rated, listed or traded).

If an administrative receiver has been appointed, an administrator can only be appointed by the court (and not by the company, its directors or the holder of a qualifying floating charge using the out of court procedure) and then only if the person who appointed the administrative receiver consents or the court considers that the security pursuant to which the administrative receiver was appointed is capable of challenge as a transaction at an undervalue, a preference or an invalid floating charge. If an administrator is appointed, any administrative receiver will vacate office.

Fixed charge receivership

A fixed charge receiver (as opposed to an administrative receiver, who is appointed under certain floating charges—see "*Administrative receivership*" above) may be appointed over some or all of the assets secured by a fixed charge in accordance with the terms of a security document creating a fixed charge or (in limited circumstances) pursuant to statute.

If appointed under the terms of a security agreement, grounds for appointment under the terms of the charge (such as a default) must exist and the charging company must have failed to satisfy the demand made for an appointment to take place. A fixed charge receiver can be appointed in parallel to a liquidator. An administrator may require a fixed charge receiver to vacate office unless that fixed charge receiver was appointed under a charge which falls within the definition of a "security financial collateral arrangement," as per Reg. 8(4) of the Financial Collateral Regulations (see "*Administration*" above).

The primary duty of the fixed charge receiver is to realize the assets over which (s)he is appointed, meaning (s)he owes an over-riding duty of care to the appointor. This contrasts with the duty of an administrator, who performs his/her duties in the interests of a company's creditors as a whole. In other words, receivership is a proprietary remedy whereas administration is a collective procedure. In realizing the charged assets, the receiver will need to take reasonable care to obtain the best price obtainable in the circumstances. In doing so, the fixed charge receiver will be entitled to a statutory indemnity in respect of any liabilities from the realizations made of the assets of the company (and may also have the benefit of a contractual indemnity from the appointor).

To the extent the receiver has been appointed under a crystallized floating charge, amounts will be deducted from the proceeds of the realization of the charged assets to pay the Prescribed Part and any preferential creditors (see "*Fixed versus floating charge*" above).

Scheme of arrangement

Although not an insolvency proceeding, pursuant to Part 26 of the Companies Act 2006 the English courts have jurisdiction to sanction a scheme of arrangement that effects a compromise of a company's liabilities between a company and its creditors (or any class of its creditors). The English Obligor may be able to pursue a scheme in respect of its financial liabilities. In addition, the English courts have jurisdiction to sanction a scheme of arrangement in respect of a foreign obligor which (a) is liable to be wound up under the Insolvency Act and (b) has a "sufficient connection" to England and Wales. In practice, a foreign company is likely to satisfy the first limb of this test and the second limb has been found to be satisfied where, amongst other things, the company's COMI is in England, the company's finance documents are English law governed or the company's finance documents have been amended in accordance with their terms to be governed by English law. Ultimately, each case will be considered on its particular facts and circumstances so previous cases will not necessarily determine whether or not any of the grounds of the second limb are satisfied in the present case.

Before the court considers the sanction of a scheme of arrangement, affected creditors will vote on the proposed compromise or arrangement in respect of their claims in a single class or in a number of classes, depending on the rights of such creditors that will be affected by the proposed scheme and any new rights that such creditors are given under the scheme. Such compromise can be proposed by the company or its creditors. If a majority in number representing 75% or more by value of those creditors present and voting at the meeting(s) of each class of creditors vote in favour of the proposed scheme, irrespective of the terms and approval thresholds contained in the finance documents, then that scheme will (subject to the sanction of the court) be binding on all affected creditors, including those affected creditors who did not participate in the vote and those who voted against the scheme. The scheme then needs to be sanctioned by the court at a sanction hearing where the court will review the fairness of the scheme and consider whether it is reasonable. The court has discretion as to whether to sanction the scheme as approved, make an order conditional upon modifications being made or reject the scheme.

Unlike an administration proceeding, the commencement of a scheme of arrangement does not trigger a moratorium on claims or proceedings.

Liquidation/winding-up

Liquidation is a company dissolution procedure under which the assets of a company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act (see "*Priority on insolvency*" below). There are two forms of winding-up: (a) compulsory liquidation, by order of the court; and (b) members' voluntary liquidation or creditors' voluntary liquidation, in each case by resolution of the company's members. The difference between the two latter proceedings is the solvency of the company in question; in a members' voluntary liquidation, the directors of the company swear a statutory declaration as to the company's solvency over the following 12 months whereas the primary ground for the compulsory winding-up of an insolvent company is that it is unable to pay its debts (as defined in Section 123 of the Insolvency Act—see "*Administration*" above). Note that while a creditors' voluntary liquidation (other than as an exit from administration) is initiated by a resolution of the members, not the creditors, once in place the process is subject to some degree of control by the creditors.

The effect of a compulsory winding-up differs in a number of respects from that of a voluntary winding-up. In a compulsory winding-up, under Section 127 of the Insolvency Act any disposition of the relevant company's property made after the commencement of the winding-up is, unless sanctioned by the court, void. However, this will not apply to any property or security interest subject to a disposition or otherwise arising under a financial collateral arrangement under the Financial Collateral Regulations and will not prevent a close-out netting provision taking effect in accordance with its terms. Subject to certain exceptions, when an order is made for the winding-up of a company by the court, it is deemed to have commenced at the time of the presentation of the winding-up petition (but note "*Statutory demands and winding-up petitions*" below). Once a winding-up order is made by the court, a stay of all proceedings against the company will be imposed. No action or proceeding may be continued or commenced against the company without permission of the court and subject to such terms as the court may impose although there is no freeze on the enforcement of security.

In the context of a voluntary winding-up, however, there is no equivalent to the retrospective effect of a winding-up order; the winding-up commences on the passing of the resolution to wind up. As a result, there is no equivalent of Section 127 of the Insolvency Act. There is also no automatic stay in the case of a voluntary winding-up—it is for the liquidator, or any creditor or contributory of the company, to apply for a stay to prevent the continuation of legal proceedings and enforcement of security.

A liquidator has the power to bring or defend legal proceedings on behalf of the company, to carry on the business of the company as far as it is necessary for its beneficial winding up, to sell the company's property and execute documents in the name of the company and to challenge antecedent transactions (see "*Avoidance of Transactions*" below).

Priority on insolvency

One of the primary functions of winding-up (and, where the company cannot be rescued as a going concern, one of the possible functions of administration) under English law is to realize the assets of the company in question and distribute the proceeds from those assets to the company's creditors.

In accordance with the Insolvency Act and the Insolvency (England and Wales) Rules 2016, creditors are placed into different classes, with the proceeds from the realization of the insolvent company's property applied in descending order of priority, as set out below. With the exception of the Prescribed Part (as defined below), distributions generally cannot be made to a class of creditors until the claims of the creditors in a prior-ranking class have been paid in full. Unless creditors have agreed otherwise with the company, distributions are made on a *pari passu* basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

Contractual setting-off arrangements entered into after a company enters liquidation or administration are only respected to the extent they fall within the definition of "mutual dealing" as applied by the mandatory insolvency set-off regime. This regime sees an account being taken of what is due from each party to the other in respect of their mutual dealings, and only the resulting net balance is either provable by the creditor in the administration or liquidation of the company (if amounts remain due to the creditor) or, conversely, is payable by the creditor to the company (if amounts remain due to the company).

The general priority on insolvency is as follows (in descending order of priority):

- *First ranking:* holders of fixed charge security and creditors with a proprietary interest in specific assets in the possession (but not full legal and beneficial ownership) of the debtor (but only to the extent the value of the secured assets covers that indebtedness);
- *Second ranking:* expenses of the insolvent estate (there are statutory provisions setting out the order of priority in which expenses are paid);
- *Third ranking:* ordinary and secondary preferential creditors.

  Ordinary preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (a) contributions to occupational and state pension schemes; (b) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; and (c) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the date of insolvency. As between one another, ordinary preferential debts rank equally.

  Secondary preferential debts rank for payment after the discharge of ordinary preferential debts. The UK government has confirmed its intention in the Finance Bill 2020 that from December 1, 2020 secondary preferential debts will include claims by HMRC in respect of taxes including VAT, PAYE income tax (including student loan repayments), employee NI contributions and Construction Industry Scheme deductions (but excluding corporation tax and employer NI contributions) which are held by the company on behalf of employees and customers. As between one another, secondary preferential debts rank equally;
- *Fourth ranking:* holders of floating charge security, to the extent of the realizations from those secured assets, according to the priority of their security. This would include any security interest that was stated to be a fixed charge in the document that created it but which, on proper interpretation by the court, was rendered a floating charge. However, before distributing asset realizations to the holders of floating charges, the Prescribed Part (as defined below) must, subject to certain exceptions, be set aside for distribution to unsecured creditors;

- *Fifth ranking*:
  - firstly, provable debts of unsecured creditors and (to the extent of any unsecured shortfall) secured creditors, in each case including accrued and unpaid interest on those debts up to the date of commencement of the relevant insolvency proceedings. To pay the secured creditors any unsecured shortfall, the insolvency officeholder can only use realisations from unsecured assets as secured creditors are not entitled to any distribution from the Prescribed Part unless the Prescribed Part is sufficient to pay out all unsecured creditors;
  - secondly, interest on the company's debts (at the higher of the applicable contractual rate and the rate determined in accordance with the Judgments Act 1838 (currently 8% per annum)) in respect of any period after the commencement of liquidation or after the commencement of an administration which has been converted into a distributing administration. However, in the case of interest accruing on amounts due under the Notes or the Notes Guarantees, such interest due to the holders of the Notes may, if there are sufficient realisations from the secured assets, be discharged out of such security recoveries; and
  - thirdly, non-provable liabilities, being liabilities that do not fall within any of the categories above and therefore are only recovered in the (unusual) event that all categories above are fully repaid; and
- *Sixth ranking:* shareholders. If, after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Subject to the above order of priority, subordinated creditors are ranked according to the terms of the subordination language in the relevant documentation.

An insolvency practitioner of the company (*e.g.*, an administrator, administrative receiver or liquidator) will generally be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors (after making full provision for preferential creditors and expenses out of floating charge realisations) (the "**Prescribed Part**"). This ring-fence applies to (a) 50% of the first £10,000 of the company's net property and (b) 20% of the remainder of the company's net property over £10,000, with a maximum aggregate cap of £800,000 (except where the company's net property is available to be distributed to the holder of a first-ranking floating charge created before April 6, 2020, in which case the maximum aggregate cap is £600,000). The Prescribed Part must be made available to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefit to creditors.

Foreign currency

Under English insolvency law, where creditors are asked to submit formal proofs of claim for their debts, the office-holder will convert all foreign currency denominated proofs of debt into pound sterling at a single rate for each currency determined by the office-holder by reference to the exchange rates prevailing on the relevant date. This provision overrides any agreement between the parties. If a creditor considers the rate to be unreasonable, they may apply to the court.

Accordingly, in the event that the English Obligor goes into liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date on which the English Obligor goes into liquidation or administration and receipt of any amounts to which such holders of the Notes may become entitled.

Avoidance of transactions

There are circumstances under English insolvency law in which the granting by an English company of security and/or guarantees can be challenged. In most cases, this will only arise if the company is placed into administration or liquidation within a specified period after the granting of the security and/or guarantee. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, the administrator or liquidator may challenge the validity of the security or guarantee given by such company.

The Issuer cannot be certain that, in the event that the onset of an English company's insolvency (as described below) is within any of the requisite time periods, the grant of a security interest and/or guarantee in respect of the Notes would not be challenged or that a court would uphold the transaction as valid.

Onset of insolvency

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges (as discussed below) depends on the insolvency procedure in question.

In an administration, the onset of insolvency is the date on which: (a) the court application for an administration order is issued; (b) the notice of intention to appoint an administrator is filed at court; or (c) otherwise, the date on which the appointment of an administrator takes effect. In a compulsory liquidation, the onset of insolvency is the date the winding-up petition is presented to court (but note "*Statutory demands and winding-up petitions*" below), whereas in a voluntary liquidation it is the date the company passes the relevant winding-up resolution. Where liquidation follows administration, the onset of insolvency will be the same as for the initial administration.

Connected persons

If a given transaction at an undervalue, preference or invalid floating charge has been entered into by the company with a "connected person," then particular specified time periods and presumptions will apply to any challenge by an administrator or liquidator (as set out below).

A "connected person" of a company granting a security interest or guarantee for the purposes of transactions at an undervalue, preferences or invalid floating charges is a party who is: (a) a director of the company; (b) a shadow director; (c) an associate of such director or shadow director; or (d) an associate of the relevant company.

A party is associated with an individual if they are: (a) a relative of the individual; (b) the individual's husband, wife or civil partner; (c) a relative of the individual's husband, wife or civil partner; (d) the husband, wife or civil partner of a relative of the individual; or (e) the husband, wife or civil partner of a relative of the individual's husband, wife or civil partner. A party is associated with a company if they are employed by that company. A company is associated with another company if the same person has control of both companies, or a person has control of one and persons who are his associates, or he and persons who are his associates, have control of the other, or if a group of two or more persons has control of each company and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

A person is to be taken as having control of a company if the directors of the company or of another company which has control of it (or any of them) are accustomed to act in accordance with his directions or instructions, or he is entitled to exercise, or control the exercise of, one third or more of the voting power at any general meeting of the company or of another company which has control of it. Where two or more persons together satisfy either of these conditions, they are to be taken as having control of the company.

The potential grounds for challenge available under English law that may apply to any security interest or guarantee granted by an English company include, without limitation, the following described below:

Transactions at an undervalue

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee (or grant other relief) where the creation of such security interest or guarantee constituted a transaction at an undervalue.

A transaction will only be a transaction at an undervalue if, at the time of the transaction or as a consequence of the transaction, the English company is unable to pay its debts or becomes unable to pay its debts (as defined in Section 123 of the Insolvency Act). The transaction can be challenged if the onset of the English company's insolvency is within a period of two years from the date the English company grants the security interest or the guarantee. A transaction may be set aside as a transaction at an undervalue if the company made a gift to a person, if the company received no consideration or if the company received consideration of significantly less value, in money or money's worth, than the consideration given by such company. However, a court shall not make an order if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it.

If the court determines that the transaction was a transaction at an undervalue, the court shall make such order as it sees fit to restore the company to the position it would have been in had it not entered into the transaction. In any proceedings, it is for the administrator or liquidator to show that the English company was unable to pay its debts unless a beneficiary of the transaction was a connected person (see "*Connected persons*" above), in which case there is a presumption of insolvency and the connected person must demonstrate that the company was not unable to pay its debts at the time of the transaction or became unable to do so as a consequence of the transaction.

An order by the court for a transaction at an undervalue may affect the property of, or impose any obligation on, any person whether or not they are the person with whom the company entered into the transaction, but such an order will not prejudice any interest in property which was acquired from a person other than the English company in good faith and for value or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the transaction in good faith and for value to pay a sum to the liquidator or administrator of the company, except where the person was a party to the transaction.

Preference

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside payments, the creation of a security interest or a guarantee (or grant other relief) where such payment, creation of security interest or guarantee constituted a preference.

It will only be a preference if, at the time of the transaction or in consequence of the transaction, the English company is unable to pay its debts or becomes unable to pay its debts (as defined in Section 123 of the Insolvency Act). The transaction can be challenged if the English company enters into insolvency within a period of six months (if the beneficiary of the security or the guarantee is not a connected person) or two years (if the beneficiary is a connected person) from the date the English company grants the security interest or the guarantee constituting the preference. A transaction may constitute a preference if a transaction has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. However, a court shall not make an order unless the company which entered into the transaction was influenced by a desire to produce a preferential position in relation to that person when taking their decision.

If the court determines that the transaction was a preference, the court shall make such order as it sees fit to restore the company to the position it would have been in had it not entered into the transaction. In any proceedings, it is for the administrator or liquidator to show that the English company was unable to pay its debts at the relevant time and that there was such desire to prefer the relevant creditor. If, however, the beneficiary of the transaction was a connected person (except where such beneficiary is a connected person by reason only of being the company's employee), it is presumed that the company intended to put that person in a better position and the connected person must demonstrate that there was, in fact, no such desire on the part of the company to prefer them.

An order by the court for a preference may affect the property of, or impose any obligation on, any person whether or not they are the person to whom the preference was given, but such an order will not prejudice any interest in property which was acquired from a person other than the English company in good faith and for value or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the preference in good faith and for value to pay a sum to the liquidator or administrator of the company, except where the payment is to be in respect of a preference given to that person at a time when they were a creditor of the English company.

Transactions defrauding creditors

Under English insolvency law, where a transaction was at an undervalue and the court is satisfied that it was made for the substantial purpose of putting assets beyond the reach of a person who is making, or may make, a claim against the company in question, or of otherwise prejudicing the interests of a person in relation to the claim which that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a "victim" of the transaction including the UK Financial Conduct Authority and the UK Pensions Regulator (with the leave of the court if the company is in liquidation or administration) and use of the provision is therefore not limited to liquidators or administrators. There is no statutory time limit under English insolvency legislation within which the challenge must be made (subject to the normal statutory limitation periods) and the relevant company does not need to be insolvent at the time of, or as a result of, the transaction.

If the court determines that the transaction was a transaction defrauding creditors, the court may make such order as it sees fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction.

The relevant court order may affect the property of, or impose any obligation on, any person whether or not they are the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a person other than the debtor company in good faith, for value and without notice of the relevant circumstances, and will not require a person who received a benefit from such transaction in good faith, for value and without notice of the relevant circumstances to pay any sum to the liquidator or administrator of the company unless such person was a party to the transaction.

Voidable floating charge

Under English insolvency law, floating charges created by an English company within a period of one year prior to the onset of the English company's insolvency (or two years in the case of a floating charge in favour of a connected person) at a time when the English company was unable to pay its debts or became unable to do so as a consequence of the transaction will be invalid, except to the extent of the value of: (a) the money paid to; (b) the goods or services supplied to; or (c) any discharge or reduction of any debt of, the relevant English company at the same time as or after the creation of the floating charge (plus certain interest) (the "**Consideration**"). The requirement for an English company to be unable to pay its debts at the time of granting the floating charge or to become insolvent as a consequence of doing so does not apply where the floating charge is granted to a connected person.

An administrator or liquidator (as applicable) does not need to apply to court for an order declaring that a floating charge is invalid by operation of law. Any floating charge created during the relevant time period is automatically invalid, except to the extent of the value of the Consideration, irrespective of whether the relevant English company is solvent or insolvent at the time of grant.

However, if the floating charge constitutes a "security financial collateral arrangement" under the Financial Collateral Regulations, the floating charge will not be subject to challenge as described in "*Administration*" above.

Recharacterization of fixed charge

As referred to above (see "*Fixed versus floating charges*" above), note the risk of a fixed charge being recharacterized as a floating charge. If such recharacterization falls within the suspect period referred to above (see "*Voidable floating charge*" above) this could render the charge invalid except to the value of the Consideration.

Security over shares

Security over shares granted by the English Obligor or over shares of the English Obligor are, under English law, equitable charges, not legal charges. An equitable charge arises where a charging company creates an encumbrance over the property in favour of the chargee but the charging company retains legal title to the shares. Remedies in relation to equitable charges may be subject to equitable considerations or may otherwise be at the discretion of the court.

Account Bank's right to set off

With respect to any security over bank accounts (each an "**Account Charge**") granted by the English Obligor, the banks with which some of those accounts are held (each an "**Account Bank**") may have reserved their right at any time to exercise the rights of netting or set-off to which they are entitled under their cash pooling or other arrangements with the English 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 rights to exercise netting and set-off with respect to the bank accounts charged under the relevant Account Charge. Once the floating charge has crystallized and converted into a fixed charge (as it would on enforcement or the occurrence of certain insolvency events with respect to the English Obligor) and the Account Bank has been formally notified of that fact, the collateral will no longer be subject to the relevant Account Bank's netting and set-off rights unless the Account Bank has expressly reserved set-off rights in such circumstances.

Extortionate Credit Transactions

An administrator or a liquidator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions which took place up to three years before the day on which the company entered into administration or went into liquidation. A credit transaction is "extortionate" if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing.

Disclaimer

An English liquidator has the power to disclaim onerous property, which is any unprofitable contract or other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract will not be unprofitable merely because it is financially disadvantageous or because the company could have made, or could make, a better bargain. The critical feature is that the performance of future obligations would prejudice the liquidator's obligation to realise the assets and make a distribution to creditors.

Limitations on enforcement

The grant of a Guarantee or Collateral by the English Obligors in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that these documents do not allow such an action, there is the risk that the grant of the guarantee and the subsequent security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with the English Obligor in good faith; however, the relevant legislation is not without difficulties in its interpretation.

Further, corporate benefit must be established for the English 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 a way that he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found to be abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court. Section 172(3) of the Companies Act 2006 additionally provides that, in certain circumstances, the directors need to consider or act in the interests of the creditors of the company. While the statutory provisions do not prescribe when directors' duties to creditors arise, the Court of Appeal has recently held that the shift takes place when the directors know, or should know, that the company in question is or is likely to become insolvent, with "likely" in this context meaning "probable."

Security and/or guarantees granted by the English Obligor may also be subject to potential limitations to the extent they would result in unlawful financial assistance contrary to English company law.

Under English company law, subject to limited exceptions, any security granted by a charging company incorporated in England and Wales (including security governed by law other than English law) (together with prescribed particulars of the relevant security) may be delivered to the Registrar of Companies for registration within 21 days after the date of creation of the relevant security interest. While the Companies Act 2006 does not impose an obligation as such on English companies to register security created on or after April 6, 2013, security will be deemed to be void against a liquidator, administrator and any creditor of the applicable charging company if not registered within the 21-day period. When security becomes so void, the debt, which was intended to be secured by such security, is deemed to become immediately payable. In limited circumstances, it may be possible to apply to the English courts for an order to rectify a failure to register and allow the relevant charge to be registered after the 21-day period has expired.

Security created on or after 1 October 2011 by overseas companies over assets in England and Wales does not need to be registered with the Registrar of Companies. Registration with applicable asset registries may, however, still be required depending on the nature of the collateral assets.

Reforms to the English insolvency regime

On June 25, 2020 the Corporate Insolvency and Governance Bill 2020 received Royal Assent and took effect as the Corporate Insolvency and Governance Act 2020 on June 26, 2020 (the "**CIGA**") to Parliament. The purpose of the CIGA is, among other things, "to introduce greater flexibility into the insolvency regime, allowing companies breathing space to explore options for rescue whilst supplies are protected, so they can have the maximum chance of survival." The CIGA also contains a number of temporary measures in response to the COVID-19 pandemic, most of which have retrospective effect. The CIGA affect the foregoing analysis and that analysis should be read in the context of the additional considerations outlined below.

The CIGA contains three key measures that may be of particular relevance to the holders of the Notes.

Moratorium

The CIGA provides for a new, free-standing moratorium for UK companies, which is intended to provide a company in financial distress with breathing space in which to explore its rescue and restructuring options free from creditor enforcement action. Where a company is an English company that is not subject to a winding-up petition, the directors of the company can obtain a moratorium by filing relevant documents with the court. The moratorium will be overseen by an insolvency practitioner acting as a "monitor" although the directors will remain in charge of running the business on a day-to-day basis. Certain types of companies will not be eligible for the moratorium including parties to capital market arrangements, which might include the English Obligor.

The effect of the moratorium will be to provide the company with a "payment holiday" in respect of its "pre-moratorium debts." In other words, the company will not be obliged to pay those debts during the moratorium. A "pre-moratorium debt" is any debt or other liability of the company that has fallen due prior to the commencement of the moratorium or which becomes due during the moratorium but under an obligation incurred by the company prior to the commencement of the moratorium. A "moratorium debt" is any debt or other liability that the company becomes subject to during the moratorium (other than by reason of an obligation entered into prior to the moratorium) or to which the company may become subject after the end of the moratorium because of an obligation incurred during the moratorium.

Certain pre-moratorium debts are excluded from the operation of the moratorium regime, in so far as they consist of amounts payable in respect of, amongst other things, the monitor's remuneration or expenses, goods or services supplied during the moratorium (and which would otherwise be pre-moratorium debts because the supply contract was entered into pre-moratorium), wages or salary arising under a contract of employment and debts or other liabilities arising under a contract or other instrument involving financial services.

In relation to the commencement of English insolvency proceedings, a moratorium will prevent (a) the presentation of a winding-up petition and the making of a winding-up order by the court (except for petitions made by directors or certain public interest petitions); (b) the passing of a resolution for the voluntary winding-up of the company unless recommended by the directors; (c) the making of a winding-up order, except on petition by the directors; and (d) the appointment of an administrator, the appointment of an administrative receiver, or the application for an administration order (except if made by the directors). In addition, the moratorium prevents certain enforcement action and legal proceedings being taken against the company.

A moratorium will be for an initial period of 20 business days (beginning with the business day after it comes into force) with the possibility of extension by a further 20 business days by filing certain documents with the court (at any time after the 15^{th} business day of the initial period). This one-time extension can be done by the directors without the consent of the creditors. There are a number of additional possibilities for extension of the moratorium, including extension of the moratorium with the consent of the creditors for a maximum period of up to 12 months from its commencement, extension with the consent of the court for an unlimited period and extension in connection with the implementation of a company voluntary arrangement, scheme of arrangement or restructuring plan.

Restructuring plan

The CIGA provides for a new restructuring plan procedure which is intended broadly to follow the process for a scheme of arrangement. A company can propose a restructuring plan to its creditors (and/or its shareholders). Creditors will be divided into classes based on the similarity or otherwise of their rights prior to the restructuring plan and following implementation of the plan. The court must approve the class formation and the convening of restructuring plan meetings. Each class will then vote on whether they accept the plan and provided that sufficient creditors approve the plan and the court considers it a proper exercise of its discretion to sanction the plan, then the plan will be binding on all creditors regardless of whether they, individually or as a class, approved the plan. The restructuring plan is available not just to companies incorporated in the United Kingdom but to any company with a sufficient connection to the United Kingdom.

There are two additional conditions a company must meet in order to use a restructuring plan: (a) the company must have encountered or be likely to encounter financial difficulties that are affecting, or will or may affect, its ability to carry on business as a going concern; and (b) a compromise or arrangement must be proposed between the company and its creditor (or any class of them) and the purpose of such compromise or arrangement must be to eliminate, reduce, prevent or mitigate the effect of any of the financial difficulties the company is facing.

Before the court considers the sanction of a restructuring plan, affected creditors will vote on the proposed compromise or arrangement in respect of their claims in a single class or in a number of classes, depending on the rights of such creditors that will be affected by the proposed restructuring plan and any new rights that such creditors are given under the restructuring plan. Creditors whose rights are affected by the compromise or arrangement must be permitted to participate in the meeting and vote on the plan but there is no need to include creditors whose rights are not affected. Furthermore, a court may exclude even a creditor whose rights are affected where it is satisfied that none of the members of that class has a genuine economic interest in the company.

In respect of a consensual restructuring plan (*i.e.*, one where each class votes in favour) to be capable of being sanctioned by the court, 75% in value of creditors present and voting (in person or by proxy) in each class must agree the compromise or arrangement. In respect of a "cram-down" restructuring plan (*i.e.*, a restructuring plan where there is a dissenting class of creditors, the court may still sanction a plan, provided that (a) the court is satisfied that none of the dissenting classes are any worse off under the plan than they would be in the event of the "relevant alternative" (referred to below); and (b) the plan has been agreed by a number representing 75% in value of a class of creditors, present and voting (in person or by proxy) who would receive a payment, or have a genuine economic interest in the company, in the event of the relevant alternative. The relevant alternative is whatever the court considers would be most likely to occur in relation to the company if the compromise or arrangement were not sanctioned by the court.

The restructuring plan then needs to be sanctioned by the court at a sanction hearing where the court will review the fairness of the restructuring plan and consider whether it is reasonable. The court has discretion as to whether to sanction the restructuring plan as approved, make an order conditional upon modifications being made or reject the restructuring plan.

Unlike an administration proceeding, the commencement of a restructuring plan does not trigger a moratorium on claims or proceedings.

Statutory demands and winding-up petitions

The CIGA provides for temporary restrictions on certain types of enforcement action in respect of unpaid debts. Specifically, the CIGA: (i) prevents any statutory demands made against companies in the period between March 1, 2020 and September 30, 2020, from being used as the basis of a winding-up petition at any point on or after April 27, 2020; and (ii) in respect of any winding-up petition presented in the period from April 27, 2020 to September 30, 2020, create an additional condition that must be satisfied before a creditor can obtain a winding-up order against a company on the grounds that it is unable to pay its debts, namely that any creditor asking the court to make a winding-up order on those grounds must first demonstrate to the court that the company's inability to pay its debts was not caused by the coronavirus pandemic. The time periods within which these provisions apply may also be extended by way of statutory instrument (for an additional period of up to six months).

Under section 127 of the Insolvency Act certain transactions, including any disposition of the company's property and any transfer of shares made after the commencement of a winding-up, unless sanctioned by the court, are void (see *Liquidation/winding-up* above). Where a creditor makes a winding-up petition during the period set out above and the court makes an order for a winding-up of the company, the CIGA shifts the point in time at which a winding-up will be deemed to commence for the purposes of section 127 of the Insolvency Act from the time of the presentation of the winding-up petition to the making of the winding-up order. Therefore, transactions that are entered into after the presentation of a winding-up petition during the 'relevant period' but prior to the making of the winding-up order will not be void.

TAXATION

Certain German Tax Considerations

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase the Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this offering memorandum, which are subject to change, possibly with retroactive or retrospective effect.

The law as currently in effect provides for a flat tax rate (flat tax regime; Abgeltungsteuer) for certain investment income and, in particular, interest income. There is an ongoing discussion in Germany whether the reduced tax rate should be increased or abolished so that investment income would be taxed at higher rates. It is still unclear whether, how and when the current discussion may result in any legislative changes.

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of the Notes, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

Withholding Tax

Ongoing payments, such as interest payments, received by an individual holder of the Notes will be subject to German withholding tax (*Kapitalertragsteuer*) if the Notes are kept or administered in a custodial account with (a) a German branch of a German or non-German credit or financial services institution, (b) with a German securities trading business or a German securities trading bank or (c) —if no German credit or financial services institution is the Disbursing Agent—the Issuer (each, a "**Disbursing Agent**," *auszahlende Stelle*). The withholding tax rate is 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%). If the individual holder is subject to church tax, a church tax surcharge will also be withheld. The church tax surcharge is automatically withheld by the Disbursing Agent, unless the holder notifies the Federal Central Tax Office (*Bundeszentralamt für Steuern*) that it objects to automatic withholding. In this case, the holder will be assessed to church tax (if applicable).

The same treatment applies to capital gains (*i.e.,* the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition) and interest accrued on the Notes ("**Accrued Interest**," *Stückzinsen*) derived by an individual holder irrespective of any holding period provided the Notes have been kept or administered in a custodial account with the same Disbursing Agent since the time of their acquisition. If Notes kept or administered in the same custodial account were acquired at different points in time, the Notes first acquired will be deemed to have been sold first for the purposes of determining any capital gains. The separation of interest claims from the Notes is treated as disposal of the Notes at their fair market value which has to be apportioned to the capital and the interest strips. If interest claims or interest coupons are disposed of separately (*i.e.,* without the Notes), the proceeds from the disposal are subject to withholding tax. The same applies to proceeds from the redemption or collection of interest claims or interest coupons if the Notes have been disposed of separately.

To the extent that the Notes have not been kept or administered in a custodial account with the same Disbursing Agent since the time of their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%, plus church tax, if applicable) on 30% of the disposal proceeds (including Accrued Interest if any), unless the current Disbursing Agent has been provided with evidence of the actual acquisition costs of the Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Union, the European Economic Area or certain other countries, *e.g.*, Switzerland.

In computing any German withholding tax, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realized by the individual holder of the Notes via the Disbursing Agent (*e.g.*, losses from the sale of other capital investments with the exception of shares). The Disbursing Agent may also deduct Accrued Interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions, the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual holder in the custodial account with the Disbursing Agent.

Upon the individual holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly) into account when computing the amount of tax to be withheld from the gross payment to be made by the Disbursing Agent. No withholding tax will be deducted if the holder of the Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent tax office.

German withholding tax will generally not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporate holder who is a German tax resident (including via a commercial partnership, as the case may be, and provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax office) while ongoing payments, such as interest payments, are generally subject to withholding tax (irrespective of any deductions of foreign tax and losses incurred). The same applies where the Notes form part of a German trade or business (of an individual or a commercial partnership) subject to further requirements being met.

Interest and capital gains on the Notes received by non-residents of Germany are, in general, not subject to German withholding tax or the solidarity surcharge thereon. However, where the interest or capital gain is subject to German taxation (as set forth under "*—Taxation of Current Income and Capital Gains—Non Tax Residents*") and the Notes are held in a custodial account with a Disbursing Agent, withholding tax will be levied under certain circumstances. The withholding tax may be refunded based on an assessment to tax or under an applicable double taxation treaty (*Doppelbesteuerungsabkommen*).

Taxation of Current Income and Capital Gains

Tax Residents

This subsection "*—Tax Residents*" refers to persons who are tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management is located in Germany).

Income (*i.e.*, interest and capital gains) derived under the Notes held by an individual holder who is tax resident in Germany, irrespective of any holding period, is in general subject to German income tax at a flat tax rate of 25% (plus solidarity surcharge and church tax, if applicable, thereon) (*Abgeltungsteuer*) if the Notes are held as private investment (*Privatvermögen*). Individual holders who are tax resident in Germany are entitled to a maximum annual allowance (*Sparer—Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly), whereby actually incurred higher expenses directly attributable to a capital investment are not deductible.

The personal income tax liability of an individual holder who is a tax resident in Germany on income from capital investments under the Notes will, in principle, be satisfied by the tax withheld. To the extent withholding tax has not been levied, such as in the case no Disbursing Agent being involved in the payment process, the individual holder must include his or her income and capital gains derived from the Notes in his or her tax return and will then also be taxed at a rate of 25% (plus solidarity surcharge and, where applicable, church tax thereon). If the withholding tax on a disposal, redemption, repayment or assignment has been calculated from 30% of the disposal proceeds (rather than from the actual gain), an individual holder may, and in case the actual gain is higher than 30% of the disposal proceeds, must apply for an assessment on the basis of his or her actual acquisition costs. Further, an individual holder may apply for a tax assessment on the basis of general rules applicable to him or her if the resulting individual income tax burden is lower than 25% with any amounts of German tax over-withheld being refunded. The deduction of expenses (other than transaction costs) on an itemized basis is not permitted. Losses incurred with respect to the Notes may only be offset with investment income of the individual holder realized in the same or following assessment periods, in some cases subject to certain limitations.

Pursuant to recent legislative changes, losses arising from a bad debt loss (*Forderungsausfall*), a waiver of a receivable (*Forderungsverzicht*) or a transfer of an impaired receivable to a third party or from any other default can only be offset against other income from capital investments and only up to an amount of €10,000 per year.

Where Notes form part of a trade or business of an individual or corporate holder or where the income from the Notes qualifies as income from the letting and leasing of property, the withholding tax, if any, will not satisfy the personal or corporate income tax liability. Rather, the income is subject to individual or corporate income tax (plus solidarity surcharge and, where applicable, church tax thereon). Where Notes form part of a trade or business, interest (including Accrued Interest) and capital gains must be taken into account as income. The respective holder will have to include income and related (business) expenses in the tax return and the balance will be taxed at the holder's applicable tax rate. Withholding tax levied, if any, will be credited as advance payment against the personal or corporate income tax liability of the holder or, to the extent exceeding this personal or corporate income tax liability, will be refunded. Where Notes form part of a German trade or business the current income and capital gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax (*Gewerbesteuer*). The trade tax liability depends on the municipal trade tax factor (*Gewerbesteuerhebesatz*). If the holder is an individual or an individual partner of a partnership, the trade tax may be completely or partly credited against the personal income tax pursuant to a lump sum tax credit method.

Non Tax Residents

This subsection "*—Non Tax Residents*" refers to persons who are not tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, and place of effective management is not located in Germany).

Interest, including accrued interest, and capital gains (which include currency gains and losses, if any) from the disposal, redemption, repayment or assignment of the Notes received by holders who are not tax resident in Germany are generally not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder or (ii) the income otherwise constitutes German source income. Furthermore, the holders who are not tax resident in Germany may become subject to German withholding tax in case they receive the proceeds by way of an over-the-counter payment by a German Disbursing Agent and the Notes are not held in custody with the same German Disbursing Agent. To the extent the German source income is subject to German withholding tax, this withholding tax is, in general final and the German tax liability is satisfied by the tax withheld. Where the German source income is not subject to German withholding tax or in case (i) of this paragraph (*i.e.*, if Notes form part of the business property of a German permanent establishment), a tax regime similar to that explained above under "*—Tax Residents*" applies. Subject to certain requirements, a holder who is not tax resident in Germany may benefit from tax reductions or tax exemptions provided by an applicable double taxation treaty (*Doppelbesteuerungsabkommen*) and German tax law.

Bond Premium

If the Notes are held as private investment (*Privatvermögen*) and if a German holder purchases a Note for an amount (not including any amount paid for pre-issuance accrued interest) that is greater than the principal amount of the Note, the bond premium is part of the acquisition costs which are deducted from the proceeds upon the disposal, redemption, repayment or assignment of the Notes.

According to a circular issued by the Regional Tax Authority Frankfurt dated February 5, 2019, German holders, holding the Notes as their trade or business assets (*Betriebsvermögen*) could be obliged to create a deferred item (*Rechnungsabgrenzungsposten*) in the amount of the bond premium which is to be dissolved linearly over the term of the Note. Moreover, under certain circumstances, the German holder may amortize (wholly or partly) a bond premium before disposal, redemption, repayment or assignment of the Notes.

Inheritance and Gift Tax

A gratuitous transfer of Notes by reason of death or as a gift will be subject to German inheritance or gift tax if the decedent or donor or the heir, donee or other beneficiary is at the time of the transfer a resident or deemed to be a resident of Germany or in certain cases for German citizens who previously maintained a residence in Germany. If neither the holder nor the recipient is a resident or deemed to be a resident of Germany at the time of the transfer, no German inheritance or gift taxes will be levied if the Notes qualify as fungible notes representing the same issue (*Teilschuldverschreibung*) unless the Notes are attributable to a German trade or business for which a permanent establishment or fixed base is maintained or a permanent representative has been appointed in Germany.

Abolishment of Solidarity Surcharge

According to a bill enacted in December 2019, the solidarity surcharge will be partially abolished as of the assessment period 2021 for certain individuals. The solidarity surcharge shall, however, continue to apply for capital investment and, thus, on withholding taxes levied. In case the individual income tax burden for an individual holder is lower than 25% the holder can apply for his/her capital investment income being assessed at his/her individual tariff-based income tax rate in which case solidarity surcharge would be refunded.

Proposed Abolishment of German WHT on Interest Income

The coalition agreement between the German Christian Democratic Party and the German Social Democratic Party dated 7 February 2018 provides that the current flat taxation (*Abgeltungsteuer*) of 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%, plus church tax, if applicable) shall be partially abolished, in particular with respect to interest income. As a result, interest on the Notes could become subject to a taxation at a respective Note holder's individual personal tax rate (where such Note holder is a tax resident of Germany) up to a tax rate of 45% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%, plus church tax, if applicable).

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes (for the avoidance of doubt, except for any notarial fees). However, under certain conditions, entrepreneurs (for VAT purposes) may opt for a liability to value added tax with regard to the sale of Notes which would otherwise be tax exempt. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany.

The Proposed Financial Transaction Tax (FTT)

The European Commission has published a proposal for a Directive for a common financial transactions tax ("***FTT***") in certain EU Member States. The Commission proposal is currently subject to review. The proposed FTT has a very broad scope and could, if introduced in the form of the proposal, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Recently, further discussions on an FTT on the basis of a draft provided by Germany were held. However, it is still unclear if and when the FTT will be implemented and what the exact scope will be. Subject to the final scope of any FTT, holders of the Notes could be exposed to higher transaction fees. Besides the proposed FTT, some jurisdictions (*e.g.*, Italy and France) have already introduced a domestic financial transaction tax that may apply to certain dealings in the Securities in certain circumstances. Other jurisdictions may also introduce a domestic financial transaction tax.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT and domestic financial transaction taxes.

International Exchange of Information

Based on the "OECD Common Reporting Standard" states, which have committed themselves to apply the OECD Common reporting Standards (participating states), exchange information with respect to financial accounts held per person in another participating state. The same applies to EU Member States. Based on the extended Mutual Assistance Directive 2011/16/EC (amended by Directive 2014/107/EC) EU Member States exchange information with respect to certain reporting accounts of persons domiciled in another EU Member State. Prospective investors of the Notes are advised to seek their own professional advice on further development.

CERTAIN US FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of certain US federal income tax considerations related to the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is limited to consequences relevant to a US holder (as defined below) except for the discussion of FATCA (as defined under "*—Foreign Account Tax Compliance Act*"), and does not address the effects of any US federal tax laws other than US federal income tax laws (such as estate and gift tax laws) or any state, local or non-US tax laws. This discussion is based upon the US Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder (the "**Treasury**

Regulations"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the US Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the US federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, US expatriates, insurance companies, individual retirement accounts, dealers in securities or currencies, traders in securities, US holders whose functional currency is not the US dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, persons liable for alternative minimum tax, US holders that are resident in or have a permanent establishment in a jurisdiction outside the United States, persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction, entities covered by the anti-inversion rules, and persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (*i.e.*, the first price at which a substantial amount of the Notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code (generally for investment).

For purposes of this discussion, a "**US holder**" is a beneficial owner of a Note that is, for US federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for US federal income tax purposes created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to US federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a US person.

If any entity or arrangement treated as a partnership for US federal income tax purposes holds the Notes, the US tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the US federal income tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the US federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

Payments of Stated Interest

Payments of stated interest on the Notes (including any additional amounts paid with respect to withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a US holder as ordinary income at the time that such payments are received or accrued, in accordance with such US holder's method of accounting for US federal income tax purposes.

A US holder that uses the cash method of accounting for US federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the US dollar value of the euro interest payment (translated at the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted to US dollars at such time. A cash method US holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such interest, but may recognize exchange gain or loss attributable to the actual disposition of the euro so received.

A US holder that uses the accrual method of accounting for US federal income tax purposes (or who otherwise is required to accrue interest prior to receipt) will be required to include in income (as ordinary income) the US dollar value of the amount of stated interest income in euro that has accrued with respect to its Notes during an accrual period. The US dollar value of such euro denominated accrued interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis US holder may elect, however, to translate such accrued interest income into US dollars at the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, at the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a US holder that has made the election described in the prior sentence may translate such interest at the spot rate of exchange on the date of receipt of the interest. The above election will apply to other debt instruments held by an electing US holder and may not be changed without the consent of the IRS. A US holder that uses the accrual method of accounting for US federal income tax purposes will recognize exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the US dollar value of the euro payment received (translated at the spot rate of exchange on the date such interest is received) with respect to such accrual period and the US dollar value of the interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to US dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as US source income or loss, and generally not as an adjustment to interest income or expense.

Issuer Substitution

In the event that the Issuer of the Notes changes as a result of the potential merger of the Issuer with the Target as described under "*Summary—The Transactions—The Acquisition*" such change in the Issuer could result in a deemed exchange of the Notes for "new" Notes for US federal income tax purposes. In such event, US holders generally would recognize any gain on such exchange (although any loss could be disallowed), and the Notes could be treated as issued with original issue discount for US federal income tax purposes.

Foreign Tax Credit

Stated interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to US holders under US federal income tax laws. Any non-US withholding tax paid by or on behalf of a US holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for US federal income tax purposes, subject to applicable limitations (including holding period and at risk rules). There are significant complex limitations on a US holder's ability to claim foreign tax credits. US holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a US holder generally will recognize gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as interest income as discussed above to the extent not previously included in income by the US holder) and such US holder's adjusted tax basis in the Note.

A US holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such US holder. The cost of a Note purchased with foreign currency will generally be the US dollar value of the foreign currency purchase price translated at the spot rate on the date of purchase. If the applicable Note is treated as traded on an established securities market and the relevant US holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described below, such US holder will determine the US dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

If a US holder receives foreign currency on such a sale, exchange, retirement, redemption or other taxable disposition of a Note, the amount realized generally will be based on the US dollar value of such foreign currency translated at the spot rate of exchange on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis US holder and, if it so elects, an accrual basis US holder, will determine the US dollar value of such foreign currency by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis US holders in regard to the purchase or disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the US holder and cannot be changed without the consent of the IRS. An accrual basis US holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute US source ordinary income or loss.

Gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be US source ordinary income or loss and generally will not be treated as interest income or expense. Such gain or loss generally will equal the difference, if any, between the US dollar value of the US holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date principal is received from the Issuer or the US holder disposes of the Note, and the US dollar value of the US holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date the US holder purchased such Note. In addition, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a US holder may recognize foreign currency exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest, which will be treated as discussed above under "—*Payments of Stated Interest*". However, upon a sale, exchange, retirement, redemption or other taxable disposition of a Note, a US holder will recognize any foreign currency exchange gain or loss only to the extent of total gain or loss realized by such US holder on such disposition.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note in excess of foreign currency exchange gain or loss attributable to such disposition generally will be US source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate US holders (including individuals) derived with respect to capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

US holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of a Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition of a Note.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of stated interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a US holder unless such US holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the US holder fails to provide a correct taxpayer identification number or a certification that it is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a US holder's US federal income tax liability provided the required information is timely furnished to the IRS.

Tax Return Disclosure Requirements

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest on or a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received with respect to a foreign currency note. US holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

US holders who are individuals and who own "specified foreign financial assets" with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a US holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all US federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

US holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**") and subject to the proposed regulations discussed below, a "foreign financial institution" may be required to withhold US tax on certain "foreign passthru payments" to the extent such payments are treated as attributable to certain US source payments. Obligations issued on or prior to the date that is six months after applicable final regulations defining foreign passthru payments are published in the Federal Register generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA could apply to payments on the Notes only if there is a significant modification of the Notes for US federal income tax purposes after the expiration of this grandfathering period. Under proposed regulations, any withholding on foreign passthru payments on the Notes that are not otherwise grandfathered would apply to passthru payments made on or after the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments. Taxpayers generally may rely on these proposed regulations until final regulations are issued. No such final regulations defining foreign passthru payments have been issued as of the date hereof. Non-US governments including Germany have entered into agreements with the United States (and additional non-US governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

CERTAIN ERISA CONSIDERATIONS

This disclosure was written in connection with the promotion and marketing of the Notes by the Issuer and the initial purchasers, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Code. Prospective purchasers of the Notes should consult their own tax advisors with respect to the application of the US federal income tax laws to their particular situations.

The following is a summary of certain considerations associated with the purchase and holding of the Notes by employee benefit plans that are subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code, and entities whose underlying assets are considered to include "plan assets" of such employee benefit plans, plans, accounts or arrangements (within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA and regulations promulgated under ERISA by the US Department of Labor) (each, an "**ERISA Plan**"). Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-US plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code; however, such plans may be subject to non-US, federal, state, or local laws or regulations that are substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Laws**") or which otherwise affect their ability to invest in the Notes. Any fiduciary of such a governmental, church or non-US plan considering an investment in the Notes (together with ERISA Plans, "**Plans**") should determine the need for, and, if necessary, the availability of, any exemptive relief under such laws or regulations.

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of an ERISA Plan and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation with respect to the assets of such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, a Plan fiduciary should consult with its counsel in order to determine the suitability of the notes for such Plan, including whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan and the need for, and the availability, if necessary, of any exemptive relief under any such laws or regulations. In addition, a fiduciary of a Plan should consult with its counsel in order to determine if the investment satisfies the fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Each ERISA Plan should consider the fact that none of the Issuer, the Parent Guarantor, the Initial Purchaser, and the Trustee and their respective affiliates (collectively, the "**Transaction Parties**") is undertaking to act, or will undertake to act, as a fiduciary to any ERISA Plan with respect to the decision to purchase or hold the Notes. The Transaction Parties are not undertaking to provide impartial investment advice or advice based on any particular investment need, or to give advice in a fiduciary capacity, with respect to the decision to purchase or hold the Notes. All communications, correspondence and materials from the Transaction Parties with respect to the Notes are intended to be general in nature and are not directed at any specific purchaser of the Notes, and do not constitute advice regarding the advisability of investment in the Notes for any specific purchaser. The decision to purchase and hold the Notes must be made solely by each prospective ERISA Plan purchaser on an arm's length basis.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless a statutory or administrative exemption is applicable to the transaction. Such "prohibited transactions" include, without limitation, (1) a direct or indirect extension of credit to a party in interest or to a disqualified person, (2) the sale or exchange of any property between an ERISA Plan and a party in interest or a disqualified person, or (3) the transfer to, or use by or for the benefit of, a party in interest or a disqualified person, of any plan assets.

A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition, holding and/or disposition of Notes by an ERISA Plan with respect to which any Transaction Party is considered a party in interest or disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding of the Notes by an ERISA Plan, depending on the type and circumstances of the fiduciary making the decision to acquire such Notes and the relationship of the party in interest or disqualified person to the ERISA Plan. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions between an ERISA Plan and non-fiduciary service providers to the ERISA Plan. In addition, the United States Department of Labor has issued prohibited transaction class exemptions ("**PTCEs**") that may apply to the acquisition and holding of the Notes. These class exemptions (as may be amended from time to time) include, without limitation, PTCE 84-14 (respecting transactions effected by independent "qualified professional asset managers"), PTCE 90-1 (respecting insurance company pooled separate accounts), PTCE 91-38 (respecting bank collective investment funds), PTCE 95-60 (respecting life insurance company general accounts) and PTCE 96-23 (respecting transactions directed by in-house asset managers).

Each of these PTCEs contains conditions and limitations on its application. Thus, the fiduciaries of an ERISA Plan that is considering acquiring and/or holding the Notes in reliance of any of these, or any other, PTCEs should carefully review the conditions and limitations of the PTCE and consult with their counsel to confirm that it is applicable. There can be no, and the Issuer does not provide any, assurance that any PTCE or any other exemption will be available with respect to any particular transaction involving the notes.

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-US plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code, may nevertheless be subject to Similar Laws. Fiduciaries of any such plans should consult with their counsel before purchasing the New Notes to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar LawsBecause of the foregoing, the Notes (or any interest therein) should not be purchased or held by any person investing "plan assets" (within the meaning of 29 C.F.R. Section 2510.3 101 (as modified by Section 3(42) of ERISA)) of any Plan, unless such acquisition, holding and subsequent disposition will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation of any applicable Similar Laws.

The foregoing discussion is necessarily general in nature, is not intended to be all-inclusive, and should not be construed as legal advice or a legal opinion. Further, no assurance can be given that future legislation, administrative rulings, court decisions or regulatory action will not modify the conclusions set forth in this discussion. Any such changes may be retroactive and thereby apply to transactions entered into prior to the date of their enactment or release. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Notes (and holding the Notes) on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such transactions and whether an exemption would be applicable.

Representation

Accordingly, by acceptance of a Note (or any interest therein), each purchaser and subsequent transferee will be deemed to have represented and agreed that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes (or any interest therein) constitutes assets of any Plan or (ii) (a) the acquisition, holding and disposition by such purchaser or transferee of the Notes (or any interest therein) does not and will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any Similar Laws, and (b) none of the Transaction Parties is undertaking to act, or will undertake to act, as a fiduciary to any Plan with respect to the decision to purchase or hold a Note or is undertaking to provide impartial investment advice or give advice in a fiduciary capacity with respect to any decision to purchase, hold or transfer a Note.

BOOK-ENTRY, DELIVERY AND FORM

General

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "**144A Global Notes**"). Notes sold to persons other than "US persons" (as defined in Regulation S under the US Securities Act) outside the United States in offshore transactions pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the "**144A Global Notes**," the "**Global Notes**"). The Global Notes will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Notes ("**144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interest**" and, together with the 144A Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants and will be required to be effected in accordance with applicable transfer restrictions set out in the Notes, the Indenture and in any applicable securities laws of any state of the United States or of any other jurisdiction, as described under "*Notice to Investors*" and under "*Transfer Restrictions*." Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by, Euroclear and Clearstream and their participants. The Book-Entry Interests in Global Notes will be issued only in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interests in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holder" of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream (or its respective nominee), will be considered the holder of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear and/or Clearstream and indirect participants must rely on the procedures of Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indenture.

None of the Issuer, the Trustee, Paying Agent, Transfer Agent or Registrar under the Indenture nor any of the Issuer's respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or holders thereof under the Indenture for any purpose.

Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive registered Notes in certificated form (the "**Definitive Registered Notes**"):

- if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the Issuer within 120 days; or
- if the owner of a Book-Entry interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Indenture and enforcement action is being taken in respect thereof under the Indenture.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "*Notice to Investors*," unless that legend is not required by the Indenture or applicable law.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of less than €100,000 principal amount at maturity may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) to the Paying Agent. In turn, the Paying Agent will make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture governing the Notes, the Issuer, the Trustee, Paying Agent, Transfer Agent, and Registrar will treat the registered holder of the Global Notes (*i.e.*, the common depositary for Euroclear or Clearstream (or its nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, Paying Agent, Transfer Agent, and Registrar or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests to such Notes through Euroclear and/or Clearstream in euro.

Transfers

Transfers between participants in Euroclear and/or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear a legend to the effect set forth under "*Transfer Restrictions*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*."

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions. Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the US Securities Act or any other exemption (if available under the US Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the US Securities Act in a transaction meeting the requirements of Rule 144A under the US Securities Act or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the relevant Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes*" and, if required, only if the transferor first delivers to the Transfer Agent a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Transfer Restrictions*."

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither the Issuer nor the Initial Purchasers are responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the Official List of the Exchange. The Issuer expects that secondary trading in any certificated Notes will also be settled in immediately available funds.

The following description of the operations and procedures of Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the relevant settlement systems and are subject to changes by them. None of us, the Initial Purchasers, the Trustee, the Calculation Agent, or the Paying Agent takes any responsibility for these operations and procedures and urge investors to contact the systems or their participants directly to discuss these matters.

Initial Settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Euroclear and/or Clearstream on the same business day as in the United States. Certain investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Brussels if Euroclear is used, or Luxembourg if Clearstream is used.

TRANSFER RESTRICTIONS

The Notes and the Guarantees have not been and will not be registered under the US Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and other applicable state securities laws. Accordingly, the Notes are being offered and sold only (i) to "qualified institutional buyers" (as defined in Rule 144A under the US Securities Act) ("**QIBs**") in reliance on Rule 144A and (ii) to persons other than "US persons" outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S:

The Issuer uses the terms "offshore transaction," "US person" and "United States" with the meanings given to them in Regulation S.

Each purchaser of the Notes hereunder (other than the Initial Purchasers) will be deemed to have acknowledged, represented and agreed with the Issuer, each Guarantor and the Initial Purchasers as follows:

(1) It understands and acknowledges that the Notes and the Guarantees have not been registered under the US Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the US Securities Act or any other securities laws, including sales pursuant to Rule 144A and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the US Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set out in paragraphs (4) and (5) below;

(2) It is neither the Issuer's "affiliate" (as defined in Rule 144), nor acting on its behalf and that either;

   (a) it is a QIB, within the meaning of Rule 144A and is aware that any sale of these Notes to it will be made in reliance on Rule 144A, and such acquisition will be for its own account or for the account of another QIB; or

   (b) it is not a US person and it is purchasing the Notes in an offshore transaction in accordance with Regulation S;

(3) It acknowledges that none of the Issuer, the Guarantors or the Initial Purchasers, nor any person representing any of them, has made any representation to it with respect to the Issuer and its subsidiaries or the offer or sale of any of the Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this offering memorandum. It acknowledges that the Issuer, and not the Initial Purchasers, have ultimate authority over the statements contained in this Offering Memorandum, including the content of those statements and whether or not to make them. It has had access to such financial and other information concerning the Issuer and its subsidiaries and the Notes that it deems necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers;

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the US Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the US Securities Act, or in any transaction not subject to the US Securities Act;

(5) It understands and agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, that if in the future it decides to resell, pledge or otherwise transfer any Notes or any beneficial interests in any Notes, it will not do so prior to the date which is, in the case of 144A Global Notes, one year after the later of the original issue date of such Notes, the original issue date of the issuance of any additional notes and the last date on which the issuer or any affiliate of the issuer was the owner of such Note (or any predecessor of such Note) or, in the case of the Regulation S Global

Notes, 40 days after the later of the original issue date and the last date on which the Securities were first offered to persons other than Distributors (as defined in Rule 902 of Regulation S) (the "**Resale Restriction Termination Date**") only (a) to the Issuer, the Guarantor or any subsidiary thereof, (b) pursuant to a registration statement which has been declared effective under the US Securities Act, (c) for so long as such Note is eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales that occur outside the United States in offshore transactions in compliance with Regulation S or (e) pursuant to any other available exemption from the registration requirements of the US Securities Act, subject in each of the foregoing cases to compliance with any applicable state securities laws and any applicable local laws and regulations, and further subject to the Issuer's right prior to any such offer, sale or transfer pursuant to clause (d) or (e) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to it, including a certificate of transfer in the form appearing on the reverse of such Note.

(6) It understands that the Global Notes will bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "**US SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE US SECURITIES ACT ("**RULE 144A**")) OR (B) IT IS NOT A US PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT, AND (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE THAT IS IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S, ONLY (A) TO THE ISSUER, THE PARENT GUARANTOR OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE US SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE US SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-US PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE US SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRANSFER AGENT'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO

CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRANSFER AGENT AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN THE CASE OF REGULATION S NOTES: BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A US PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A US PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE US SECURITIES ACT.

BY ITS ACQUISITION OF THIS SECURITY, THE HOLDER THEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE (THE FOREGOING COLLECTIVELY REFERRED TO AS "ERISA PLANS"), OR (IV) A GOVERNMENTAL, CHURCH OR NON-US PLAN WHICH IS SUBJECT TO ANY STATE, LOCAL, OTHER FEDERAL LAW OF THE UNITED STATES OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, FOR WHICH AN EXEMPTION IS NOT AVAILABLE, OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-US PLAN, A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR STATE, LOCAL, OTHER FEDERAL LAW OF THE UNITED STATES OR NON-US REGULATION; RULE OR LAW.

A purchaser of Notes will also be deemed to acknowledge that the foregoing restrictions apply to Holders of beneficial interests in these Notes as well as to Holders of these Notes.

(7) It understands that the issuance of Additional Notes under the Indenture may have the effect of extending the Resale Restriction Termination Date.

(8) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on the transfer of such Notes;

(9) It acknowledges that until 40 days after the commencement of the Offering, any offer or sale of the Securities within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A;

(10) It acknowledges that the Book-Entry Registrar and Transfer Agent will not be required to accept for registration or transfer any Notes acquired by it except upon presentation of evidence satisfactory to the Issuer, Transfer Agent and the Book-Entry Registrar that the restrictions set out therein have been complied with;

(11) It acknowledges that the Issuer, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of the acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, it shall promptly notify the Issuer and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account; and

(12) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set out under "*Plan of Distribution*," "*Notice to EEA Investors*" and "*Prohibition of Sales to EEA Retail Investors*."

PLAN OF DISTRIBUTION

The Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed, subject to certain customary closing conditions, to subscribe to and pay for, the Notes on the Issue Date.

The sale will be made pursuant to an agreement among the Issuer, the Guarantors and the Initial Purchasers (the "**Purchase Agreement**"). Subject to the terms and conditions of the Purchase Agreement, the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed, to purchase from the Issuer all of the Notes. The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by the Issuer's and their counsel. The Purchase Agreement also provides that the Issuer and the Guarantors will indemnify the Initial Purchasers against certain liabilities, including liabilities under the US Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuer has furthermore agreed to reimburse the Initial Purchasers for certain expenses incurred in connection with the issue of the Notes. In the Purchase Agreement, the Issuer and the Guarantors have made certain representations and given certain warranties with respect to their respective legal and financial matters. The Initial Purchasers are entitled, under certain circumstances, to terminate the Purchase Agreement. In such event, no Notes will be delivered to investors.

The Issuer has agreed, subject to certain limited exceptions, that it or its affiliates and subsidiaries will not, directly or indirectly, sell or offer to sell any securities substantially similar to the Notes for a period of 90 days from the date the Notes are issued without first obtaining the written consent of the Initial Purchasers.

The Notes are a new issue of securities with no established trading market. Application will be made for the Notes to be admitted to trading on the Exchange. There is no assurance that the Notes will be listed on the Official List of the Exchange or that such listing will be maintained. Notwithstanding the foregoing, the Issuer may at its sole option at any time, without the consent of the Holders or the Holders' Representative, de-list the Notes from any stock exchange for the purposes of moving the listing of the Notes to another recognized stock exchange for high yield issuers.

Persons that purchase the Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price.

The Notes and the Guarantees have not been and will not be registered under the US Securities Act or qualified for sale under the securities laws of any US state or any jurisdiction outside the United States and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and outside the United States in offshore transactions in reliance on Regulation S. Accordingly, the Notes will be subject to significant restrictions on resale and transfer as described under "*Notice to Investors*," "*Notice to EEA Investors*," "*Prohibition of Sales to EEA Retail Investors*" and "*Transfer Restrictions*." Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker dealers who are registered as such under the Exchange Act. Until 40 days after the later of (i) the commencement of this offering and (ii) the issue date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the US Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. To the extent that any Initial Purchaser that is not a US registered broker dealer intends to effect any sale of Notes in the United States, it will do so through one or more US registered broker dealer affiliates as permitted by guidelines promulgated by the US Financial Industry Regulatory Authority, Inc.

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the United Kingdom Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issuance or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors); and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each Initial Purchaser has represented and agreed that it has not offered, or sold and will not offer or sell any Notes to any retail investor in the EEA or in the United Kingdom. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive 2016/97/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation.

No action has been taken in any jurisdiction, including the United States, Germany and the United Kingdom, by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this offering memorandum and resale of the Notes. See "*Notice to the Investors*," "*Notice to EEA Investors*," "*Prohibition of Sales to EEA Retail Investors*" and "*Transfer Restrictions*."

The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the US Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

It is expected that delivery of the Notes will be made against payment therefore on or around the date specified on the cover page of the offering memorandum, which will be the seventh business day following the date of pricing of the Notes (this settlement cycle is being referred to as "T+7"). Under Rule 15(c)6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next four succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next four succeeding business days should consult their own advisor.

The Notes will constitute a new class of securities with no established trading market. The Initial Purchasers have advised the Issuer that, following the completion of this offering, they currently intend to make a market in the Notes as permitted by applicable laws and regulations. However, the Initial Purchasers are not obligated to do so, and the Initial Purchasers may discontinue any market making activities with respect to the Notes at any time in its sole discretion. Accordingly, no assurance can be given that any market for the Notes will develop, that it will be liquid and that you will be able to sell any of the Notes held by you at a particular time or that the prices that you receive when you sell will be favorable to you. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.*" Each purchaser of the Notes, by its purchase of the Notes, will be deemed to have made certain acknowledgements, representations, warranties and agreements as set forth under "*Notice to Investors*," "*Notice to EEA Investors*" and "*Prohibition of Sales to EEA Retail Investors*."

In connection with the offering, Goldman Sachs International (the "**Stabilizing Manager**") (or persons acting on its behalf) may purchase and sell Notes in the open market. These transactions may include over allotment, stabilizing transactions, syndicate covering transactions and penalty bids. Over allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These transactions may be effected in the over the counter market or otherwise. These activities may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the prices that otherwise might exist in the open market. Neither the Issuer nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, there is no obligation on the Stabilizing Manager to engage in such transactions and neither the Issuer nor the Initial Purchasers make any representation that the Stabilizing Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. Any stabilizing action, if commenced, must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes.

The Initial Purchasers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to the Issuer and our affiliates, or to the Issuer and its affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. The Initial Purchasers or their respective affiliates have received, and expect to receive, customary fees and commissions for the Transactions. In particular, the Initial Purchasers or certain of their affiliates are mandated lead arrangers and lenders under the Super Senior Facilities, and such entities have received or will receive customary fees for their services in such capacities. Deutsche Bank AG, London Branch, is acting as security agent for the Super Senior Facilities and as security agent for the Notes as well as the Escrow Agent.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantors or their respective affiliates. The Initial Purchasers and their affiliates may also receive allocations of the Notes. The Initial Purchasers and their respective affiliates may also, in the future, act as hedge counterparties to the Issuer consistent with their customary risk management policies. Typically, such Initial Purchasers and their 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 Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views with respect to such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer and certain of the Guarantors are organized under the laws of Germany. Other Guarantors are incorporated in the United Kingdom. None of the following are residents or citizens of the United States: members of the executive and supervisory boards of RENK AG as well as the CEO and the members of the board of directors of Horstman Defence Systems Ltd. Therefore, you may be unable to effect service of process within the United States on such directors, officers or executives. Furthermore, since the assets of the Issuer and each of the Guarantors, and their respective directors and 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 Notes or any judgment of a US court predicated upon civil liabilities under US Federal or state securities laws, may not be collectible in the United States.

The Issuer has been advised by its German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on US federal or state securities laws, either in an original action or in an action to enforce a judgment obtained in US federal or state courts. The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment by any US federal or state court for payment, whether or not predicated solely upon US federal or state securities laws, would not automatically be enforceable in Germany. A final judgment by a US federal or state court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally would not reinvestigate the merits of the original matter decided by a US court, except as noted below. The recognition and enforcement of a US judgment by a German court would be conditional upon a number of factors, including the following:

- the judgment being final under US federal or state law;
  - the US court having had jurisdiction over the original proceeding under German law;
  - the defendant having had the chance to defend herself or himself against an unduly or untimely served complaint;
- the judgment of the US court being consistent with the judgment of a German court or a recognized judgment of a foreign court handed down before the judgment of the US court;
- the matter (*Verfahren*) resulting in the judgment of the US court being consistent with the matter (*Verfahren*) pending before a German court, provided that such German matter was pending before a German court prior to the US court entered its judgment;
- the enforcement of the judgment by the US court being compatible with the fundamental principles of German law, in particular with the civil liberties (*Grundrechte*) guaranteed by virtue of the German Constitution (*Grundgesetz*); and
- generally, the guarantee of reciprocity.

Subject to the foregoing, purchasers of securities may be able to enforce judgments in civil and commercial matters obtained from US federal or state courts in Germany. The Issuer cannot, however, assure you that attempts to enforce judgments in Germany will be successful.

In addition, in the past the recognition and enforcement of punitive damages has been denied by German courts as incompatible with the fundamental principles of German law. Moreover, a German court may reduce the amount of damages granted by a US court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

German civil procedure differs substantially from US civil procedure in a number of respects. With respect to the production of evidence, for example, US federal and state law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under German law.

INDEPENDENT AUDITORS

The German language consolidated financial statements of RENK AG as of and for the fiscal years ended December 31, 2018 and 2019, which were prepared on the basis of the International Financial Reporting Standards, as adopted by the EU ("**IFRS**"), have been audited in accordance with Section 317 of the German Commercial Code (*Handelsgesetzbuch*, *HGB*) and German generally accepted standards for financial statement audits promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*) by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("**PwC**"), independent auditors, as stated in their German language auditor's report. English language translations of the German language audited consolidated financial statements and the respective auditor's report are included elsewhere in this offering memorandum.

Each of the respective auditor's report of PwC on the audited consolidated financial statements refers to the respective audited consolidated financial statements and respective group management report of RENK AG as a whole. The group management reports of RENK AG are neither included nor incorporated by reference in this offering memorandum.

The auditor's reports of PwC for the consolidated financial statements of RENK AG, as of and for the fiscal years ended December 31, 2018 and December 31, 2019, refer to group management reports. The examinations of and the audit reports upon such group management reports are required under German auditing standards. Those examinations were not made in accordance with generally accepted auditing or attestation standards in the United States. Accordingly, PwC does not express any opinion on this information or on the consolidated financial statements included in this offering memorandum, in each case in accordance with US generally accepted auditing standards or US attestation standards.

The Supervisory Board of the Company plans to switch to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("**EY**") for the audit of the IFRS consolidated financial statements of the Company as of December 31, 2020.

AVAILABLE INFORMATION

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

- such person has been afforded an opportunity to request from the Issuer and has received and reviewed all additional information considered by it to be necessary to verify the accuracy and completeness of the information contained herein;
- such person has not relied on information provided or representations made by the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- except as provided pursuant to the first bullet above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by the Issuer or the Initial Purchasers.

For so long as any of the Notes are "restricted securities" within the meaning of the Rule 144(a)(3) under the US Securities Act, the Issuer will, during any period in which the Issuer is neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the Exchange Act, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the US Securities Act.

Pursuant to the Indenture and so long as the Notes are outstanding, anyone who has received this offering memorandum may, following the Issue Date, obtain a copy of the Indenture, the Notes, the Guarantees, the Security Documents and the Intercreditor Agreement, without charge, in each case, by writing to the Paying Agent. Copies of such documents are also available at the specified office of the Paying Agent and the registered office of the Issuer.

Pursuant to the Indenture and so long as the Notes are outstanding, the Issuer will furnish periodic information to holders of the Notes. See "*Description of the Notes—Covenants—Reports*."

The additional documents and information specified in "*Listing and General Information*" and not included in this offering memorandum will be available to be inspected and obtained by Holders at the specified office of the Paying Agent during normal business hours on any weekday.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for the Issuer by Latham & Watkins LLP, as to matters of German law, Latham & Watkins (London) LLP as to matters of US federal, New York state and English law and Linklaters LLP as to matters of Luxembourg Law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Allen & Overy LLP, as to matters of US federal, New York state, English and German law.

LISTING AND GENERAL INFORMATION

Listing Information

The Issuer will make an application to the Authority for the listing of the Notes on the Official List of the Exchange and permission to deal in the Notes thereon. For the period of at least 14 days from the date of admitting the Notes to the Official List of the Exchange and for as long as the rules and regulations of that exchange so require, copies of the following documents may be physically inspected and obtained at the specified office of the Issuer during normal business hours on any business day:

- the organizational documents of the Issuer;
- the consolidated financial statements included in this offering memorandum; and
- the most recent audited consolidated financial statements and any condensed consolidated interim financial statements published by the Target Group.

Application may be made to the Authority to have the Notes removed from listing on the Official List of the Exchange, including, if necessary, to avoid any new withholding taxes in connection with the listing.

The Issuer has appointed Carey Olsen Corporate Finance Limited as Listing Agent, the Issuer reserves the right to change this appointment in accordance with the terms of the Indenture.

The Issuer accepts responsibility for the information contained in this offering memorandum. The Issuer declares that, having taken all reasonable care to ensure that such is the case, to the best of its knowledge, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect its import. This offering memorandum may only be used for the purposes for which it has been published.

Clearing Information

The Issuer expects that the Notes sold pursuant to Regulation S and the Notes sold pursuant to Rule 144A will be accepted for clearance through the facilities of Euroclear and Clearstream.

The ISIN and Common Code for the Notes sold pursuant to Regulation S and Rule 144A under the US Securities Act are set forth below:

	ISIN	Common Code
Regulation S Global Note	XS2199445193	219944519
Rule 144A Global Note	XS2199445359	219944535

General Information

Except as disclosed in this offering memorandum:

- there has been no material adverse change in the prospects of the Issuer since December 31, 2019, the most recent audited consolidated financial statements of the Issuer; and
- there has been no material adverse change in its financial or trading position or its prospects since the date of incorporation of the Issuer; and
- none of the Issuer or the Guarantors or any of their respective subsidiaries has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issue of the Notes, and, so far as the Issuer, the Guarantors and their respective subsidiaries are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

The Issuer accepts responsibility for the information contained in this offering memorandum. The information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum.

Authorization

The creation and issuance of the Notes was authorized by the Shareholder of the Issuer on June 25, 2020 and on July 1, 2020.

Corporate Information

Issuer

The Issuer is established under the name Rebecca BidCo GmbH as a limited liability company (*Gesellschaft mit beschränkter Haftung*) under the laws of Germany. It is registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, under the register number HRB 253889.

The Issuer's business address is Schillerstraße 20, c/o Triton Beratungsgesellschaft GmbH, 60313, Frankfurt am Main, Germany. The phone number of the Issuer is +49 821 5700-0.

Guarantors

The Issuer's Guarantors are: RENK Aktiengesellschaft, incorporated in Germany; and Horstman Defence Systems Ltd., incorporated in the United Kingdom.

RENK Aktiengesellschaft

RENK Aktiengesellschaft is a stock corporation (*Aktiengesellschaft*) incorporated under the laws of Germany. It is registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Augsburg, under the register number HRB 6193. RENK Aktiengesellschaft's business address is Gögginger Straße 73, 86159 Augsburg. RENK Aktiengesellschaft's phone number is +49 821 5700-0.

The registered subscribed capital of RENK Aktiengesellschaft is €17,920,000.

Horstman Defence Systems Ltd.

Horstman Defence Systems Ltd. is a private limited company incorporated under the laws of England and Wales. It is registered with the Companies House for England and Wales under number 01511975 and its registered office is Locksbrook Road, Bath, Avon, BA1 3EX. Its phone number is +44 1225 423111.

INDEX TO THE FINANCIAL STATEMENTS

The following English language audited consolidated financial statements and unaudited condensed consolidated interim financial statements as of March 31, 2020 are translations of the respective German language audited consolidated financial statements and unaudited condensed consolidated interim financial statements as of March 31, 2020.

Interim Consolidated Financial Statements as of March 31, 2020 (Condensed Version)

Consolidated Income Statement

€ thousand	Note	2020 01.01.-31.03.	2019 01.01.-31.03.
Sales revenue	**[5]**	**113,367**	**96,492**
Cost of sales		(91,419)	(78,554)
Gross profit		**21,948**	**17,938**
Other operating income	[6]	2,598	645
Net allowances on financial assets		605	254
Distribution expenses		(10,461)	(9,653)
General administrative expenses		(6,916)	(5,470)
Other operating expenses	[7]	(3,988)	(1,908)
Operating profit		**3,785**	**1,806**
Interest expenses(1)		(338)	(332)
Other financial result		(38)	232
Financial result		**(376)**	**(100)**
Profit before taxes		**3,410**	**1,706**
Income tax expense		(1,016)	(529)
Profit after tax (share of RENK shareholders)		**2,394**	**1,177**
Earnings per share in € (basic and diluted)	**[8]**	**0.35**	**0.17**

(1) Includes interest expense from lease liabilities of € 31 thousand (March 31, 2019: € 26 thousand).

Reconciliation to Total Comprehensive Income for the Period

€ thousand	2020 01.01.-31.03.	2019 01.01.-31.03.
Profit after tax	**2,394**	**1,177**
Items not reclassified to profit or loss		
Remeasurement of pension plans(1)	(707)	3,685
Deferred taxes(1)	(105)	(1,067)
	(812)	**2,617**
Items reclassified to profit or loss in the future		
Currency translation differences(1)	(1,187)	389
	(1,187)	**389**
Other comprehensive income for the period	**(1,999)**	**3,006**
Total comprehensive income	**395**	**4,183**

(1) No deferred taxes relate to currency translation differences.

Consolidated Statement of Financial Position

€ thousand	Note	Mar. 31, 2020	Dec. 31, 2019
Assets			
Intangible assets		40,777	42,287
Property, plant and equipment	[9]	243,429	241,703
Other and financial investments	[10]	15,370	15,370
Deferred tax assets		11,501	9,606
Other noncurrent financial assets	[13]	851	860
Other noncurrent receivables	[13]	8	29
Noncurrent assets		**311,936**	**309,855**
Inventories	[11]	253,444	230,432
Trade receivables	[12]	95,960	135,197
Contract assets		2,528	4,308
Current income tax receivables		2,654	2,418
Other current financial assets	[13]	38,753	22,997
Other current receivables	[13]	7,368	7,128
Cash and cash equivalents		116,781	102,476
Current assets		**517,487**	**504,956**
		829,424	**814,811**
Equity and liabilities			
Subscribed capital		17,920	17,920
Capital reserves		10,669	10,669
Retained earnings		463,515	461,121
Accumulated other comprehensive income		(8,010)	(6,011)
Equity		**484,094**	**483,699**
Noncurrent financial liabilities		5,044	5,181
Pension provisions		10,530	14,233
Deferred tax liabilities		7,688	9,229
Contract liabilities, noncurrent	[15]	66,536	73,450
Other noncurrent provisions	[14]	11,471	11,262
Other noncurrent financial liabilities		1,904	1,038
Other noncurrent liabilities		0	25
Noncurrent liabilities and provisions		**103,172**	**114,418**
Current financial liabilities		1,354	1,284
Effective income tax liabilities		2,851	2,890
Trade payables		37,838	41,235
Contract liabilities, current	[15]	111,976	94,814
Current income tax payables		996	976
Other current provisions	[14]	43,622	43,954
Other current financial liabilities		5,874	2,106
Other current liabilities		37,648	29,435
Current liabilities and provisions		**242,159**	**216,694**
		829,424	**814,811**

Consolidated Statement of Changes in Equity

€ thousand	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income for the period	Currency translation	Total
As of Jan. 1, 2019	**17,920**	**10,669**	**431,910**	**(15,173)**	**4,609**	**449,935**
Profit after tax	—	—	1,177	—	—	1,177
Other comprehensive income for the period	—	—	—	2,617	389	3,006
Total comprehensive income	**—**	**—**	**1,177**	**2,617**	**389**	**4,183**
As of Mar. 31, 2019	**17,920**	**10,669**	**433,087**	**(12,556)**	**4,998**	**454,118**
As of Jan. 1, 2020	**17,920**	**10,669**	**461,121**	**(12,291)**	**6,280**	**483,699**
Profit after tax	—	—	2,394	—		2,394
Other comprehensive income for the period	—	—	—	(812)	(1,187)	(1,999)
Total comprehensive income	—	—	2,394	(812)	(1,187)	395
As of Mar. 31, 2020	**17,920**	**10,669**	**463,515**	**(13,103)**	**5,093**	**484,094**

Consolidated Statement of Cash Flows

€ thousand	2020	2019
Cash and cash equivalents on Jan. 1	**102,476**	**185,700**
Profit before taxes	**3,410**	**1,706**
Income taxes paid	(4,474)	2,058
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	5,993	4,838
Change in provisions for pension obligations	(4,384)	(3,411)
Gains/losses from asset disposals	(81)	(3)
Other non-cash expenses and income	1,578	1,252
Change in inventories	(22,634)	(24,195)
Change in receivables and contract assets	25,006	26,648
Change in (contract) liabilities	17,817	5,282
Change in other provisions	(222)	(1,680)
Cash flows from operating activities	**22,009**	**12,495**
Payments to acquire property, plant and equipment and intangible assets	(7,915)	(5,215)
Proceeds from asset disposals	173	90
Cash flows from investing activities	**(7,742)**	**(5,125)**
Change in financial liabilities	19	—
Lease payment	(304)	(189)
Cash flows from financing activities	**(285)**	**(189)**
Effect of exchange rate changes on cash and cash equivalents	323	177
Change in cash and cash equivalents	**14,305**	**7,358**
Cash and cash equivalents on March 31	**116,781**	**193,058**
Investments in loans	320	—
Gross liquidity on March 31	**117,101**	**193,058**
Financial liabilities	(6,397)	(5,043)
Net liquidity on March 31	**110,704**	**188,015**

Notes to the Condensed Interim Consolidated Financial Statements

(1) General principles

In accordance with Regulation 1606/2002 of the European Parliament and of the Council, RENK Aktiengesellschaft (RENK AG), Augsburg, prepared its consolidated financial statements for 2019 in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union.

These condensed interim consolidated financial statements of RENK AG as of March 31, 2020 were prepared in accordance with IAS 34 "Interim Financial Reporting" and do not contain all the information and disclosures in the notes that are required for consolidated financial statements as of the end of the fiscal year in accordance with IFRS, but rather should be read in conjunction with the IFRS consolidated financial statements published by the company for fiscal year 2019. The information in the notes presents the material circumstances needed in order to understand the changes in the net assets, financial position and results of operations of the RENK Group that have taken effect since December 31, 2019.

The interim consolidated financial statements have been prepared in euro, the functional currency of the RENK Group. All amounts have been rounded in line with commercial practice; this can result in minor deviations in the addition of figures.

(2) Accounting policies

RENK has implemented all for the group relevant financial reporting standards endorsed by the EU, that have been effective for financial periods since January 1, 2020.

Unless any changes are explicitly stated, the accounting policies used in the condensed interim consolidated financial statements are the same as those used in the last consolidated financial statements as of the end of fiscal year 2019. A detailed description of these methods can be found in the notes to the consolidated financial statements as of December 31, 2019.

A discount rate of 1.60% was used to calculate pension provisions in these interim financial statements.

The income tax expense in these interim consolidated financial statements is calculated on the basis of the effective income tax rate anticipated for the year as a whole.

In the opinion of the Executive Board, these condensed interim consolidated financial statements contain all the normal adjustments required for an appropriate presentation of the net assets, financial position and results of operations. The results for the first three months of fiscal year 2020 do not necessarily provide any indication of future business performance.

The Executive Board must make assumptions and estimates in preparing the condensed interim consolidated financial statements. These affect the amounts and reporting of the figures stated for assets, liabilities, income and expenses for the reporting period. The actual amounts incurred can differ from these estimates. In addition to the figures, the condensed interim consolidated financial statements also include notes on selected items.

(3) Significant events

Following the expiry of the service agreements with MAN SE as of March 31, 2020, which were entered into after the RENK Group left the MAN Group, the financial management of the RENK Group is performed by RENK AG's central Treasury function. In this context, RENK's inclusion in the central cash pooling of the MAN Group was ended and hedges entered into for RENK were transferred to RENK AG.

Due to RENKs business model the COVID-19 pandemic has so far had only a minor effect of RENK's financial position and results of operations in the first quarter. Intangible assets, in particular goodwill, and property, plant and equipment were tested for possible impairment as of March 31, 2020. As RENK currently assumes that the pandemic will be a temporary phenomenon that will not have a lasting negative impact on the Group's long-term business performance, various scenarios have been developed for 2020 in a departure from the last approved planning. The weighted average cost of capital (WACC) was also adjusted as of March 31, 2020. Overall, testing did not give rise to any impairment loss on assets.

(4) Basis of consolidation

In addition to RENK AG, which is domiciled in Augsburg and with Augsburg Local Court under HRB 6193, the condensed interim consolidated financial statements as of March 31, 2020 include the following wholly owned subsidiaries:

- RENK France S.A.S., Saint-Ouen-1'Aumone, France
- RENK Corporation, Duncan (SC), USA
- RENK Test System GmbH, Augsburg
- RENK-MAAG GmbH, Winterthur, Switzerland
- RENK Systems Corporation, Camby (IN), USA
- Horstman Holdings Limited, Bath, UK
- Horstman Defence Systems Limited, Bath, UK
- Horstman Inc., Sterling Heights (MI), USA

Notes to the Consolidated Income Statement

(5) Sales revenue

€ thousand	2020 01.01.-31.03.	2019 01.01.-31.03.
Germany	28,390	29,275
Other EU countries	34,571	28,401
Asia	29,765	24,730
Americas	14,451	6,911
Other European countries	5,443	4,763
Africa	589	1,561
Australia and Oceania	158	850
	113,367	**96,492**

(6) Other operating income

€ thousand	2020 01.01.-31.03.	2019 01.01.-31.03.
Earnings from costs charged on	1,100	—
Income from currency translation differences and derivatives	1,041	278
Income from reversal of provisions	89	227
Miscellaneous other income	368	141
	2,598	**645**

Income from exchange rate changes and derivatives firstly includes gains from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currency and realized and unrealized price gains from the measurement of derivatives at the closing rate.

Income from costs charged on include costs passed on for consulting services and internal costs in connection with the disposal of the equity investment in RENK AG by the Volkswagen Group.

(7) Other operating expenses

€ thousand	2020 01.01.-31.03.	2019 01.01.-31.03.
Expenses from currency translation differences and derivatives	2,703	1,726
Expenses from costs charged on	901	—
Miscellaneous other expenses	384	181
	3,988	**1,908**

Expenses from exchange rate changes and derivatives firstly include losses from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currency and realized and unrealized price losses from the measurement of derivatives at the closing rate.

Expenses from costs charged on comprise consulting services in connection with the disposal of the equity investment in RENK AG by the Volkswagen Group.

(8) Earnings per share

	2020 01.01.-31.03.	2019 01.01.-31.03.
Profit after tax in € thousand	2,394	1,177
Weighted average shares outstanding (in thousands)	6,800	6,800
Earnings per share in €	**0.35**	**0.17**

In accordance with IAS 33, earnings per share are calculated from the consolidated profit after tax and the average number of shares outstanding in the period. There were no financial instruments as of either March 31, 2020 or March 31, 2019 that would dilute earnings per share.

Notes to the Consolidated Statement of Financial Position

(9) Property, plant and equipment

€ thousand	Mar. 31, 2020	Dec. 31,2019
Land and buildings	89,645	85,212
Technical equipment and machinery	112,680	117,477
Other equipment, operating and office equipment	15,854	15,602
Prepayments and assets under construction	25,249	23,412
	243,429	**241,703**

The right-of-use assets from leases are included in land and buildings in the amount of € 5,883 thousand (December 31, 2019: € 6,005 thousand) and in other equipment, operating and office equipment in the amount of € 351 thousand (December 31, 2019: € 305 thousand).

(10) Other and financial investments

There were no changes in other and financial investments in the first quarter of fiscal year 2020.

The subsidiary Horstman Systems Inc., Woodbridge, Canada, was classified as a financial investment in fiscal year 2019 in conjunction with the acquisition of the Horstman Group. Owing to its ongoing loss situation, it was measured at a cost of zero in final purchase price allocation.

The subsidiary RENK Holding Canada Inc., Toronto, Canada, which was founded in fiscal year 2019 and is not consolidated, was recognized at a cost of € 2,067 thousand.

(11) Inventories

€ thousand	Mar. 31, 2020	Dec. 31, 2019
Raw materials, consumables and supplies	40,742	41,105
Finished goods and work in progress	210,543	186,724
Prepayments for inventories	2,158	2,603
	253,444	**230,432**

Inventories were written down by € 1,066 thousand as of March 31, 2020 (March 31, 2019: € 579 thousand).

(12) Trade receivables

€ thousand	Mar. 31, 2020	Dec. 31, 2019
Customer receivables	89,474	126,789
Receivables from affiliated companies	6,486	8,408
	95,960	**135,197**

(13) Other noncurrent and current assets and receivables

€ thousand	Mar. 31, 2020	Dec. 31, 2019
Customer prepayment receivables	33,443	20,967
Receivables from costs charged on	3,215	1,632
Prepaid expenses	2,829	2,391
Other tax assets	2,391	931
Commission claims	1,930	2,025
Receivables from suppliers	1,141	935
Refund claims	531	513
Derivative financial instruments	191	106
Miscellaneous other assets	1,310	1,514
	46,980	**31,014**

Receivables from costs charged on comprise the costs passed on to Volkswagen AG for the consulting services and internal cost related to preparing the disposal of the equity investment to RENK AG by the Volkswagen Group.

Other assets and receivables include noncurrent amounts of € 859 thousand as of March 31, 2020 (December 31, 2019: € 889 thousand).

(14) Other provisions

€ thousand	Mar. 31, 2020	Dec. 31, 2019
Warranties	32,411	33,348
Obligations to employees	9,702	9,930
Outstanding costs	5,471	4,831
Miscellaneous other provisions	7,508	7,108
	55,092	**55,217**

(14) Other provisions (Continued)

Other provisions break down according to maturity as follows:

€ thousand	Mar. 31, 2020	Dec. 31, 2019
Other noncurrent provisions	11,471	11,262
Other current provisions	43,622	43,954
	55,092	**55,217**

(15) Contract liabilities

€ thousand	Mar. 31, 2020	Dec. 31, 2019
Contract liabilities, noncurrent	66,536	73,450
Contract liabilities, current	82,120	74,950
Liabilities from customer prepayment receivables(1)	29,856	19,864
	178,511	**168,264**

(1) The net figures as of March 31, 2020 and December 31, 2019 contain only current amounts.

(16) Contingent liabilities

€ thousand	Mar. 31, 2020	Dec. 31, 2019
Contingent liabilities	26	27
	26	**27**

(17) Fair value disclosures

The RENK Group classifies financial instruments as follows:

- financial instruments at fair value;
- financial instruments at amortized cost; and
- financial instruments not assigned to an IFRS 9 measurement category.

The fair values were calculated based on the market conditions at the end of the reporting period and using generally accepted measurement methods. These are the prices at which one party would assume the rights or obligations from these financial instruments from an independent third party. The inputs for measuring fair value are largely unchanged compared to December 31, 2019. No significant influences from the Covid-19-pandemic had to be taken into account.

Fair value hierarchy

The classification and reporting of the fair values of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and breaks down as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for an asset or liability either directly (as a price) or indirectly (derived from prices). The fair values of level 2 financial instruments are calculated based on the conditions at the end of the reporting period, such as interest rates or exchange rates, and using recognized models, such as discounted cash flow models or option pricing models.

Level 3: Inputs used for the measurement of the asset or liability not based on observable market data (unobservable inputs).

There were no reclassifications between levels 1 and 2 and no reclassifications into or out of level 3 as of March 31 in the 2020 and 2019 reporting periods.

(17) Fair value disclosures (Continued)

The following table shows the classes of financial instruments included in statement of financial position items, broken down by the carrying amounts and fair values of financial instruments, and their allocation to the measurement categories as of March 31, 2020:

	At fair value				Not assigned to an IFRS 9 measurement category	Statement of financial position item as of March 31, 2020
	Through other comprehensive income[(1)]	Through profit or loss[2)]	At amortized cost[(3)]			
€ thousand	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	
Noncurrent assets						
Other and financial investments	2,975	—	—	—	12,395	15,370
Other financial assets			851	851	—	851
Current assets						
Trade receivables			95,960	95,960	—	95,960
Contract assets	—	—	—	—	2,528	2,528
Other financial assets	—	191	38,562	38,562	—	38,753
Cash and cash equivalents	—	—	116,781	116,781	—	116,781
Noncurrent liabilities						
Noncurrent financial liabilities	—	—	5,044	5,044	—	5,044
Other financial liabilities	—	1,897	7	7	—	1,904
Current liabilities						
Current financial liabilities	—	—	1,354	1,354	—	1,354
Trade payables	—	—	37,838	37,838	—	37,838
Other financial liabilities	—	1,627	4,248	4,248	—	5,874

(1) Corresponds to the measurement category "Financial assets measured at fair value through other comprehensive income" under IFRS 9.

(2) Corresponds to the measurement category "Financial assets measured at fair value through profit or loss" under IFRS 9.

(3) Corresponds to the measurement category "Financial instruments measured at amortized cost" under IFRS 9.

The following table shows the classes of financial instruments included in statement of financial position items, broken down by the carrying amounts and fair values of financial instruments, and their allocation to the measurement categories as of December 31, 2019:

	At fair value				Not assigned to an IFRS 9 measurement category	Statement of financial position item as of December 31, 2019
	Through other comprehensive income[(1)]	Through profit or loss[(2)]	At amortized cost[(3)]			
€ thousand	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	
Noncurrent assets						
Other and financial investments	2,975	—	—	—	12,395	15,370
Other financial assets	—	5	855	855	—	860
Current assets						
Trade receivables	—	—	135,197	135,197	—	135,197
Contract assets	—	—	—	—	4,308	4,308
Other financial assets	—	—	22,997	22,997	—	22,997
Cash and cash equivalents	—	—	102,476	102,476	—	102,476
Noncurrent liabilities						
Noncurrent financial liabilities	—	—	5,181	5,181	—	5,181
Other financial liabilities	—	1,038	—	—	—	1,038
Current liabilities						
Current financial liabilities	—	—	1,284	1,284	—	1,284
Trade payables	—	—	41,235	41,235	—	41,235
Other financial liabilities	—	830	1,277	1,277	—	2,106

(1) Corresponds to the measurement category "Financial assets measured at fair value through other comprehensive income" under IFRS 9.

(2) Corresponds to the measurement category "Financial assets measured at fair value through profit or loss" under IFRS 9.

(3) Corresponds to the measurement category "Financial instruments measured at amortized cost" under IFRS 9.

(17) Fair value disclosures (Continued)

Cash and cash equivalents, trade receivables, other financial assets, financial liabilities, trade payables and miscellaneous financial liabilities predominantly have a short remaining term. Their carrying amounts as of the end of the reporting period therefore approximately match their fair value.

The future cash flows for derivative financial instruments without option components, such as currency forwards, are calculated using forward curves. The fair value of these instruments is the total of the discounted cash flows. The options on currency pairs are measured on the basis of standard option pricing models (Black-Scholes model).

Financial assets at fair value through other comprehensive income include equity shares of € 2,975 thousand for which the RENK Group exercises the option for measurement at fair value through other comprehensive income. In the context of recognition through other comprehensive income, the changes in fair value are recognized in equity after taking deferred taxes into account. A change in the significant, unobserva-ble inputs has no significant effect on equity or profit after tax, either in isolation or combination.

Financial assets and liabilities measured at fair value are level 2 of the fair value hierarchy with the exception of the other equity investment, which is level 3.

(18) Segment reporting

The activities of the RENK Group are divided into the reportable segments Special Gear Units, Vehicle Transmissions, Standard Gear Units and Slide Bearings. The management of each of these segments reports directly to the Executive Board of RENK AG in its function as the responsible chief operating decision maker.

The financial performance indicators for segments are sales revenue, operating profit and operating return on sales. The operating return on sales is the ratio of the operating profit generated to sales revenue. The non-financial performance indicator is order intake as measured by reference to binding incoming orders.

The RENK Group typically recognizes revenue at a point in time. The Vehicle Transmissions segment includes revenue recognized over a period of time of € 3,518 thousand (previous year: € 3,145 thousand).

€ thousand Reporting period	Special Gear Units		Vehicle Transmissions		Standard Gear Units		Slide Bearings		Consolidation		Group	
January 1 to March 31	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Order intake from third parties	113,811	40,575	25,192	30,967	15,980	14,952	23,504	23,850	0	—	178,487	110,344
Order intake from other segments	1,544	840	252	516	1,516	873	59	39	(3,371)	(2,267)	—	—
Total order intake	**115,355**	**41,415**	**25,444**	**31,483**	**17,496**	**15,825**	**23,563**	**23,889**	**(3,371)**	**(2,267)**	**178,487**	**110,344**
Sales revenue with third parties	23,775	22,185	50,977	36,905	15,570	17,811	23,045	19,591	—	—	113,367	96,492
Sales revenue with other segments	680	286	249	516	998	607	138	1,137	(2,064)	(2,546)	—	—
Total sales revenue	**24,455**	**22,471**	**51,226**	**37,421**	**16,569**	**18,418**	**23,183**	**20,728**	**(2,064)**	**(2,546)**	**113,367**	**96,492**
Order backlog[(1)]	**360,407**	**269,451**	**447,743**	**473,979**	**55,407**	**54,545**	**31,705**	**31,267**	**(9,773)**	**(8,463)**	**885,489**	**820,779**
Operating profit	**(5,809)**	**(6,923)**	**6,547**	**5,897**	**(148)**	**671**	**3,193**	**2,145**	**2**	**16**	**3,785**	**1,806**
Capital expenditures	2,277	2,257	3,982	2,245	1,307	263	463	469	—	—	8,029	5,234
Depreciation and amortization	2,197	2,056	2,375	1,412	831	835	610	555	(20)	(20)	5,993	4,838
Operating return on sales	**(23.8)%**	**(30.8)%**	**12.8%**	**15.8%**	**(0.9)%**	**3.6%**	**13.8%**	**10.3%**	**(0.1)%**	**(0.6)%**	**3.3%**	**1.9%**

(1) As of March 31, 2020, as against December 31, 2019.

Segment information is determined applying the same accounting policies as those used in the preparation of the consolidated financial statements. The composition of the segments is unchanged as against December 31, 2019; please see the corresponding comments in the 2019 consolidated financial statements.

Transactions between segments are performed on an arm's length basis.

(18) Segment reporting (Continued)

Segment information by region

€ thousand	Germany	Rest of Europe	Other regions	Total
2020				
Sales revenue	28,390	40,013	44,963	113,367
Payments to acquire property, plant and equipment and intangible assets	7,444	564	21	8,029
2019				
Sales revenue	29,275	33,164	34,053	96,492
Payments to acquire property, plant and equipment and intangible assets	4,954	278	2	5,234

(19) Related party disclosures

On January 30, 2020, Volkswagen Vermögensverwaltungs-GmbH, Wolfsburg, entered into a share purchase agreement with Rebecca BidCo GmbH (formerly: SCUR-Alpha 1138 GmbH) to acquire a total of 5,320,000 shares in RENK AG (representing 76% of share capital and voting rights). Rebecca BidCo GmbH (formerly: SCUR-Alpha 1138 GmbH) is held by Triton Investment Management Limited's "Triton V" fund.

The share purchase agreement is subject to merger control, other official approvals and certain other conditions, and has not yet been executed as of March 31, 2020.

There were no significant changes with regard to related parties as compared to the consolidated financial statements as of December 31, 2019.

There was no exchange of goods or services with the parent company of Volkswagen Vermögensverwaltungs-GmbH in the period from January 1 to March 31, 2020 or 2019.

The services provided to and received from related parties in the period from January 1 to March 31 in 2020 and 2019 were as follows:

	Services rendered (income)		Services received (expense)	
€ thousand	2020	2019	2020	2019
Companies of the Volkswagen Vermögensverwaltungs Group, Volkswagen and Porsche Group	6,175	5,121	952	1,334
Unconsolidated subsidiaries and other equity investments	1,729	1,506	525	509

There were the following receivables from and liabilities to related parties as of March 31, 2020 and December 31, 2019:

	Receivables		Liabilities	
€ thousand	2020	2019	2020	2019
Companies of the Volkswagen Vermögensverwaltungs Group, Volkswagen and Porsche Group	8,197	106,105	2,600	4,444
Unconsolidated subsidiaries and other equity investments	2,109	2,747	688	996

RENK AG has assumed guarantees of € 24 thousand for customers of its non-consolidated subsidiaries.

As a result of the end of cash pooling with MAN SE, there are no financial management receivables from MAN SE as of March 31, 2020 (December 31, 2019: € 98,666 thousand).

(20) Changes in the Supervisory Board

The members of the Supervisory Board Ms. Karina Schnur and Mr. Roberto Armellini resigned effective December 31, 2019. The Augsburg Local Court (court of registration) appointed Ms. Angela Steinecker and Mr. Sascha Dudzik as their successors effective January 29, 2020.

(21) Events after the end of the reporting period

There were no reportable events after March 31, 2020.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Augsburg, June 24, 2020

RENK Aktiengesellschaft
The Executive Board

Florian Hofbauer   Christian Hammel

Financial diary at: www.renk-ag.com

RENK AG, Augsburg

RENK Consolidated Financial Statements
for the Fiscal Year from January 1 to December 31, 2019

Contents

Consolidated Income Statement

€ thousand	Note	2019	2018
Sales revenue	**[6]**	**558,609**	**502,218**
Cost of sales		(428,790)	(383,442)
Gross profit		**129,819**	**118,776**
Other operating income	[7]	8,350	7,418
Net allowances on financial assets	[21]	(683)	(508)
Distribution expenses		(39,732)	(37,412)
General administrative expenses		(27,520)	(22,342)
Other operating expenses	[8]	(9,811)	(5,721)
Operating profit		**60,423**	**60,213**
Interest expense	[9]	(828)	(400)
Other financial result	[9]	2,728	1,802
Financial result		**1,900**	**1,402**
Profit before taxes		**62,323**	**61,615**
Income tax expense	[10]	(18,152)	(19,105)
Profit after tax (share of RENK shareholders)		**44,171**	**42,510**
Earnings per share in €(basic and diluted)	**[11]**	**6.50**	**6.25**

Reconciliation to Total Comprehensive Income for the Period

€ thousand	2019	2018
Profit after tax	**44,171**	**42,510**
Items not reclassified to profit or loss		
Remeasurement of pension plans[(1)]	1,942	(2,195)
Deferred taxes[(1)]	940	(57)
Remeasurement of other and financial investments	—	(552)
Deferred taxes	—	9
	2,882	**(2,796)**
Items reclassified to profit or loss in the future		
Currency translation differences[(1)]	1,672	1,130
Change in fair values of derivative financial instruments (hedging instruments)	—	(320)
Deferred taxes	—	103
	1,672	**913**
Other comprehensive income for the period	**4,554**	**(1,883)**
Total comprehensive income	**48,724**	**40,627**

(1) No deferred taxes relate to currency translation differences.

Consolidated Statement of Financial Position

Assets in € thousand	Note	Dec. 31, 2019 (1)	Dec. 31, 2018
Intangible assets	[14] [15]	42,287	2,384
Property, plant and equipment(2)	[16]	241,703	210,041
Other and financial investments	[17]	15,370	11,282
Deferred tax assets	[10]	9,606	6,295
Other non-current financial assets	[22] [33]	860	3
Other non-current receivables	[22]	29	3
Non-current assets		**309,855**	**230,008**
Inventories	[18]	230,432	196,578
Trade receivables	[19] [21]	135,197	104,854
Contract assets	[20] [21]	4,308	5,718
Current income tax receivables		2,418	8,253
Other current financial assets	[22] [33]	22,997	15,800
Other current receivables	[22]	7,128	6,451
Cash and cash equivalents	[23]	102,476	185,700
Current assets		**504,956**	**523,353**
		814,811	753,361

Equity and liabilities in € thousand	Note	Dec. 31, 2019 (1)	Dec. 31, 2018
Subscribed capital		17,920	17,920
Capital reserves		10,669	10,669
Retained earnings		461,121	431,910
Accumulated other comprehensive income		(6,011)	(10,564)
Equity	**[24]**	**483,699**	**449,935**
Non-current financial liabilities(2)	[27]	5,181	—
Pension provisions	[25]	14,233	16,023
Deferred tax liabilities	[10]	9,229	—
Contract liabilities, non-current	[29]	73,450	81,993
Other non-current provisions	[26]	11,262	8,555
Other non-current financial liabilities	[30] [33]	1,038	120
Other non-current liabilities	[30]	25	51
Non-current liabilities and provisions		**114,418**	**106,742**
Current financial liabilities(2)	[27]	1,284	—
Effective income tax liabilities		2,890	1,898
Trade payables	[28]	41,235	39,407
Contract liabilities, current	[29]	94,814	80,392
Current income tax payables		976	159
Other current provisions	[26]	43,954	43,522
Other current financial liabilities	[30] [33]	2,106	2,129
Other current liabilities	[30]	29,435	29,176
Current liabilities and provisions		**216,694**	**196,683**
		814,811	753,361

(1) Carrying amounts for the reporting period include adjustment effects from first-time consolidation. Please see “Business combination”.

(2) Please see “New and revised accounting pronouncements and methods”.

Consolidated Statement of Changes in Equity[1]

€ thousand	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income for the period	Currency translation	Total
Before adjustment on Dec. 31, 2017	**17,920**	**10,669**	**404,652**	**(14,869)**	**3,479**	**421,851**
Change in accounting due to IFRS 9 and IFRS 15	—	—	(291)	2,709	—	2,418
After adjustment on Jan. 1, 2018	**17,920**	**10,669**	**404,361**	**(12,161)**	**3,479**	**424,268**
Profit after tax	—	—	42,510	—	—	42,510
Other comprehensive income for the period	—	—	—	(3,013)	1,130	(1,883)
Total comprehensive income	**—**	**—**	**42,510**	**(3,013)**	**1,130**	**40,627**
Dividends paid	—	—	(14,960)	—	—	(14,960)
As of Dec. 31, 2018	**17,920**	**10,669**	**431,910**	**(15,173)**	**4,609**	**449,935**
Profit after tax	—	—	44,171	—	—	44,171
Other comprehensive income for the period	—	—	—	2,882	1,672	4,554
Total comprehensive income	**—**	**—**	**44,171**	**2,882**	**1,672**	**48,724**
Dividends paid	—	—	(14,960)	—	—	(14,960)
As of Dec. 31, 2019	**17,920**	**10,669**	**461,121**	**(12,291)**	**6,280**	**483,699**

(1) Please see "Equity".

Consolidated Statement of Cash Flows[1]

€ thousand	Note	2019	2018
Cash and cash equivalents at beginning of period		**185,700**	**198,553**
Profit before taxes		62,323	61,615
Income taxes paid		(11,594)	(17,336)
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	[15] [16]	23,398	19,013
Reversal of impairment loss of other and financial investments	[17]	(2,021)	—
Change in provisions for pension obligations		139	3,364
Gains/losses from asset disposals		(48)	(327)
Other non-cash expenses and income		204	1,738
Change in inventories		(25,091)	(15,408)
Change in receivables and contract assets		(28,581)	(30,328)
Change in (contract) liabilities		(14,080)	17,481
Change in other provisions		2,813	(5,105)
Cash flows from operating activities[2]		**7,462**	**34,706**
Payments to acquire property, plant and equipment and intangible assets	[15] [16]	(33,331)	(35,361)
Capital contributions in other and financial investments, acquisition of subsidiaries	[17]	(46,427)	(1,669)
Cash inflow from first-time consolidation		6,302	—
Proceeds from asset disposals		536	3,885
Cash inflow/outflow from deposits		(302)	8
Cash flows from investing activities		**(73,222)**	**(33,136)**
Dividends paid	[24]	(14,960)	(14,960)
Change in financial liabilities		(1,932)	—
Lease payment[3]		(1,076)	—
Cash flows from financing activities		**(17,968)**	**(14,960)**
Effect of exchange rate changes on cash and cash equivalents		504	538
Change in cash and cash equivalents		**(83,224)**	**(12,853)**
Cash and cash equivalents at end of period	[23]	102,476	185,700
Financial investments in loans		**342**	**—**
Gross liquidity at end of period		102,818	185,700
Financial liabilities[3]		(6,466)	—
Net liquidity at end of period[3]		**96,352**	**185,700**

(1) Please see "Statement of Cash Flows".

(2) The cash flows from operating activities include interest income of € 372 thousand (previous year: € 128 thousand), interest expenses of € 458 thousand (previous year: € 87 thousand) and income from other and financial investments of € 699 thousand (previous year: € 1,979 thousand).

(3) Please see "New and revised accounting pronouncements and methods".

Notes to the Consolidated Financial Statements

Principles of Financial Reporting

(1) General principles

RENK Aktiengesellschaft (hereinafter: RENK AG) is a listed corporation domiciled at Gögginger Strasse 73, Augsburg, Germany. It is registered with Augsburg Local Court under HRB 6193. The RENK Group develops, produces and distributes high-quality drive technology worldwide. Its divisions are Special Gear Units, Vehicle Transmissions, Standard Gear Units and Slide Bearings.

As a 76%-owned subsidiary of Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH), Wolfsburg, a direct, wholly-owned subsidiary of VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg (VW AG), RENK AG is included in the consolidated financial statements of VW AG published in the Bundesanzeiger (Federal Gazette) (largest basis of consolidation). Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH) exercises the exemption provided by section 291 of the Handelsgesetzbuch (HGB—German Commercial Code) and does not prepare its own consolidated financial statements or Group management report.

These consolidated financial statements of RENK AG (smallest group) for the fiscal year from January 1 to December 31, 2019 were prepared in line with section 315e(1) of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as applicable in the European Union as per Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, and the supplementary provisions of the Articles of Association. They were prepared on February 18, 2020 and approved for submission to the Supervisory Board by way of resolution of the Executive Board.

The consolidated financial statements have been prepared in euro, the functional currency of the RENK Group. Unless stated otherwise, all figures are in thousands of euro (€ thousand). Minor differences in totals or percentages can occur as a result of the commercial rounding of amounts.

(2) Consolidation and measurement of equity investments

(a) Equity investments

The equity investments of RENK AG include subsidiaries, other equity investments and financial investments. All material domestic and foreign subsidiaries that RENK AG controls directly or indirectly are included in the consolidated financial statements. Control exists when RENK AG directly or indirectly has power over the potential subsidiary on the basis of voting or other rights, is exposed to positive and negative variable returns and can affect the amount of the variable returns on the basis of voting rights.

Other equity investments include interests in non-consolidated affiliated companies and financial investments.

(b) Basis of consolidation

Companies included

In addition to RENK AG, the consolidated financial statements include the following wholly owned subsidiaries:

- RENK France S.A.S., Saint-Ouen-l'Aumône, France
- RENK Corporation, Duncan (SC)/USA,
- RENK Test System GmbH, Augsburg,
- RENK-MAAG GmbH, Winterthur, Switzerland
- RENK Systems Corporation, Camby (IN), USA
- Horstman Holdings Limited, Bath, UK,
- Horstman Defence Systems Limited, Bath, UK
- Horstman Inc., Sterling Heights (MI), USA

(2) Consolidation and measurement of equity investments (Continued)

Effective April 16, 2019, RENK AG acquired all shares in Horstman Holdings Limited, Bath, UK, the world's leading provider of mobility solutions for armored wheeled and tracked vehicles. The converted purchase price, paid in cash, was € 44.4 million, representing a net investment volume of € 37.7 million. The aim of this acquisition is to expand the product portfolio of the Vehicle Transmissions strategic business unit, to broaden RENK's expertise in vehicle powertrains and to enhance its global presence.

From the Horstman Group, Horstman Holdings Limited, Bath, UK, Horstman Defence Systems Limited, Bath, UK, and Horstman Inc., Sterling Heights (MI), USA, are included in RENK AG's consolidated financial statements. Horstman Systems Inc., Woodbridge, Canada, is not included in the consolidated financial statements as of December 31, 2019 as it is insignificant to the RENK Group's net assets, financial position and results of operations.

Considerable intangible assets such as customer relationships and technologies were acquired. Please see the explanatory notes under "Business combination" and "Intangible assets".

There was no separate reportable goodwill as of the reporting date in the previous year.

Companies not included

The subsidiaries and financial investments not included in the consolidated financial statements are insignificant overall to the net assets, financial position and results of operations of the RENK Group. These are recognized in the consolidated financial statements at their respective cost, taking into account any impairment losses required.

Please see the corresponding note for a full list of shareholdings of the RENK Group.

As stated above, Horstman Systems Inc., Woodbridge, Canada, a wholly-owned subsidiary of Horstman Holdings Limited, Bath, UK, is not included in the consolidated financial statements.

RENK AG founded RENK Holding Canada Inc., Toronto, Canada, as the sole shareholder, by entering it in the Commercial Register on August 14, 2019. Converted into euro, seed capital came to around € 2,067 thousand. RENK Holding Canada Inc. will be responsible exclusively for managing the RENK Group's the financial investment in Canada. It is not included in the consolidated financial statements on account of the lack of operating activities and the immaterial overall impact on the RENK Group's net assets, financial position and results of operations.

(c) Other equity investments and financial investments

Other investments comprise unconsolidated subsidiaries measured at cost.

Financial investments are measured at fair value through profit or loss. Financial investments in equity instruments that are not held for trading and that do not represent contingent consideration in a business combination can be recognized at fair value through other comprehensive income. Gains and losses from cumulative changes in value recognized in other comprehensive income are not reclassified to profit or loss on subsequent derecognition, e.g. when the equity investment is sold. Dividends from financial investments are recognized in profit or loss unless they represent a repayment of the cost.

Effective August 23, 2019, the newly established RENK Holding Canada Inc., Toronto, Canada, acquired 17.54% of shares in the company Modest Tree Media Inc., Halifax, Canada, for a converted purchase price of around € 2,067 thousand. The company's principle activities involve developing software solutions for virtual reality. The aim of the financial investment is to move forward market expansion plans by developing digital communications solutions in the engineering industry.

(d) Currency translation

Transactions in foreign currencies are translated using the relevant exchange rates at the time of the transaction. In subsequent periods, monetary assets and liabilities are measured at the middle rate at the end of the reporting period; exchange rate differences are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. On initial recognition of an asset, expense or income that includes prepayments

(2) Consolidation and measurement of equity investments (Continued)

received or made, the exchange rate at which the non-monetary items from prepayments were translated on the date of the transaction is used.

The financial statements of companies from countries outside the euro area are translated into euro using the functional currency concept. The functional currency is determined by the primary economic environment, it is the respective local currency of the companies consolidated.

The financial statements are translated using the modified current rate method, according to which items in the statement of financial position—except equity—are translated using the rate at the end of the reporting period, while income statement items are translated using weighted average exchange rates. Except for other comprehensive income, equity is translated at historic rates. The resulting translation differences are recognized in other comprehensive income until the disposal of the subsidiary and reported as a separate item in equity.

Overview of key exchange rates

	Middle rate		Average price[1]	
	Dec. 31, 2019	Dec. 31, 2018	2019	2018
US dollar	1.12275	1.14525	1.11113	1.13855
Swiss franc	1.08545	1.12640	1.09215	1.12914
Pound sterling	0.84995	0.89690	0.84785	0.8975
Chinese yuan	7.81470	7.87725	7.79400	7.84092
Japanese yen	121.89500	125.91000	121.26364	127.67833

(1) Weighted average price

(3) Accounting principles

The presentation in the statement of financial position distinguishes between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are due within one year or within the longer operating cycle. Deferred tax assets and liabilities and assets and provisions from defined benefit pension plans are shown as non-current items. The consolidated income statement has been prepared using the cost of sales method.

With the exception of certain items such as financial instruments at fair value and provisions for pensions and similar obligations, the consolidated financial statements are prepared on the basis of cost.

The consolidated financial statements are based on the financial statements of RENK AG and its consolidated subsidiaries, which are prepared using the same Group-wide accounting policies as the Volkswagen Group.

The accounting principles describe the regulations and methods applied in fiscal year 2019, taking into account the first-time adoption of IFRS 16 “Leases”. These new regulations entail some considerable differences in accounting methods and changes in presentation and reporting compared to the previous year. The accounting requirements were implemented using the modified retrospective transition method, whereby the amounts in the opening statement of financial position were adjusted in other comprehensive income. Previous year figures were not adjusted. Please see the consolidated financial statements of RENK AG as of December 31, 2018 for a description of the accounting policies applied in the previous year prior to the first-time adoption of IFRS 16.

(a) Revenue recognition

When control of an asset is transferred to the customer, the entity satisfies its performance obligation and the corresponding sales revenue can be recognized. The asset comprises contractually agreed goods and services. At contract inception it is determined whether the performance obligation is satisfied over time. If the requirements for this are not met, the performance obligation is satisfied at a point in time. Assurance-type warranties must be taken into account in performance obligations.

(3) Accounting principles (Continued)

Performance obligations are recognized over time in the following cases:

- The services rendered that benefit the customer are consumed by the customer at the same time that the services are rendered.
- The assets created or processed are controlled by the customer during performance by the entity.
- The assets created have no alternative use for the entity and the entity has an enforceable right to payment by the customer for the performance completed to date.

Sales revenue from performance obligations fulfilled over time is accounted for using the percentage of completion method. RENK calculates the percentage of completion using the input method to estimate the costs incurred relative to the total expected costs. The contract costs incurred are the best measure of the satisfaction of performance obligations. If the expected costs exceed the expected sales revenue, the expected loss is immediately recognized in full as an expense by writing down capitalized assets and recognizing provisions if necessary.

The amount of sales revenue is determined by the transaction price, which is equal to the expected consideration including possible variable remuneration components. If variable consideration has been agreed in a contract, sales revenue is estimated using the most likely amount method. Variable consideration is only taken into account in the transaction price if it is highly probable that it will arise. For multi-component contracts, the total transaction price is allocated to the individual, distinct performance obligations relative to the stand-alone selling prices.

Costs of obtaining or fulfilling a contract are not capitalized as the necessary requirements are not met.

(b) Operating expenses

Operating expenses are recognized when the service is utilized; expenses for advertising and sales promotion and other sales-related expenses are recognized at the time they are incurred. The cost of sales consists of costs of the products and merchandise sold. In addition to the direct material and manufacturing costs, production costs also comprise production-related overheads, including depreciation of production equipment.

Warranty provisions are recognized when the products are sold. Expenses for research are immediately recognized in profit or loss. Interest and other borrowing costs are recognized as expenses in the period in which they arise, with the exception of borrowing costs that are capitalized as part of the cost of qualifying assets. A qualifying asset is an asset that necessarily takes a period of at least a year to get ready for its intended use or sale. No borrowing costs were recognized in either of the past two fiscal years.

(c) Intangible assets

Individually acquired intangible assets are carried at cost. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

If the intangible assets have a finite useful life they are amortized on a straight-line basis over their period of use. The amortization period for software is predominantly three years. Licenses and similar rights are amortized over their contractual terms of use. The customer relations acquired as part of the Horstman acquisition are amortized over a period of between 15 and 30 years, with technology amortized over 10 to 30 years and the brand over 30 years. There is no amortization if the useful life cannot be determined. Instead, the intangible assets are tested for impairment at least once a year and impairment losses are recognized if necessary. The acquisition of the Horstman Group resulted in goodwill to be capitalized (previous year: no goodwill). This goodwill was assigned to the cash-generating units to test it for impairment. It is assigned to the place expected to benefit from the business combination from which the goodwill arose. There were no other reportable intangible assets without a finite useful life in the current fiscal year or in the previous year.

(3) Accounting principles (Continued)

Expenses for the development of new products or series are capitalized when the new products or series are technically and economically feasible, are scheduled for internal use or for sale, the expenses can be measured reliably and sufficient resources to complete the development project are available. Development costs that do not meet these criteria and all research costs are recognized immediately in profit or loss. The capitalized development costs are amortized on a straight-line basis from the date of launch, typically over five to seven years. While a development project is still in progress, the amounts capitalized to date are tested for impairment at least annually. No such development costs were capitalized as of the end of the 2019 and 2018 reporting periods.

(d) Property, plant and equipment

Property, plant and equipment are measured at historic cost less depreciation and impairment losses. Investment grants are deducted from cost. The cost of internally generated assets includes directly attributable production costs and pro rata production overheads. Where property, plant and equipment consist of material identifiable components with different useful lives, these components are recognized and depreciated separately. Borrowing costs were not included in cost for the 2019 and 2018 fiscal years.

Expenses for maintenance and repairs are recognized in profit or loss, unless they must be capitalized.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful life. The useful lives of property, plant and equipment are reviewed at the end of each reporting period and adjusted if necessary. Depreciation is essentially based on the following useful lives:

in years	
Buildings	10 to 50
Improvements	5 to 33
Technical equipment and machinery	5 to 21
Other equipment, operating and office equipment	3 to 15

(e) Leases

Under lessee accounting, the RENK Group's leases for property, plant and equipment (investment leases) are recognized as right-of-use assets and lease liabilities in the statement of financial position.

The lease liability is recognized at the amount of the future lease payments discounted at the incremental borrowing rate over the entire term of the lease. During the term of the lease, the lease liability is carried forward using the effective interest method and taking lease payments into account.

The right-of-use asset is recognized at the amount of the lease liability plus initial direct costs. In subsequent periods, the right-of-use asset is to be amortized on a straight-line basis over the term of the lease or the economic life, when this is shorter.

The right-of-use assets shown in the statement of financial position are reported in those statement of financial position items in which the assets to which the lease relates would have been reported if the RENK Group had owned them. The right-of-use assets are therefore reported under non-current assets in property, plant and equipment as of the end of the reporting period.

The practical expedients applied for short-term and low-value leases mean that no right-of-use asset or lease liability is recognized for these leases. The lease payments for these are recognized in the income statement as an expense. Low-value leases are leases where the new value of the leased asset does not exceed € 5,000. Leases with a total term of up to 12 months are classed as short-term. The IFRS 16 accounting requirements are not applied to leases for intangible assets.

Many leases include extension and termination options. All relevant factors and circumstances that create an economic incentive to exercise or not exercise the option are taken into account when determining the lease terms. Optional periods are taken into account when determining the lease term if it is reasonably certain that the option will be exercised or not exercised.

(3) Accounting principles (Continued)

Lessors distinguish between finance and operating leases on the basis of the distribution of the risks and opportunities from the asset. Assets from operating leases are carried at cost and depreciated to their residual value on a straight-line basis over the lease term. Impairment is recognized in the form of write-downs and adjustments to the lease installments. Lease payments received in the period are recognized as income in the income statement. RENK did not act as a lessor in the fiscal year 2019 or in the previous year.

There were no sale and leaseback transactions at the RENK Group either in the reporting period or in the previous year.

(f) Impairment

If there are indications that the carrying amounts of intangible assets, property, plant and equipment, other equity investments and financial investments or other receivables may be impaired, an impairment test is performed. Intangible assets with indefinite useful lives, capitalized development costs and goodwill are tested for impairment at least annually. With the exception of the capitalized goodwill from the Horstman acquisition, none of these statement of financial position items were subject to an annual impairment test as of the end of the 2019 and 2018 reporting periods at the RENK Group.

The recoverable amount of the asset in question is calculated to determine the extent of a possible impairment loss. The recoverable amount is the higher of the fair value less costs to sell and value in use.

The value in use is the present value of the expected cash flows determined on the basis of current planning by the management. This planning is based on expectations regarding future development of the various individual markets. Appropriate assumptions about macroeconomic trends (development of currency, interest and commodities prices) and historical developments are taken into account. The planning period covers a five-year period. Please see the forecast in the Management Report for information on the assumptions in the detailed planning period. Plausible assumptions on future developments are made for subsequent years. Planning assumptions are adjusted to take account of current knowledge.

The calculation of cash flows is based on expected growth rates for the markets in question. The cash flows estimate after the end of the planning period is based on a growth rate identical to the previous year of up to 1% p.a.

A weighted average cost of capital before taxes (WACC) that reflects the market conditions is used as the discount rate. The discount rate is calculated on the basis of the interest rate for risk-free investments, a market risk premium and the borrowing rate and taking into account specific peer group information for the beta factors and the debt-to-equity ratio. The underlying assumptions are reviewed on an ongoing basis and adjusted as necessary. The weighted average cost of capital applied in the fiscal year 2019 was 6.5% (previous year: 7.7%).

If a recoverable amount cannot be determined for an individual asset, the recoverable amount of the smallest identifiable cash-generating unit to which the asset in question can be assigned is determined. If the recoverable amount of an asset is lower than its carrying amount, an impairment loss on the asset is immediately recognized in profit or loss.

If an asset or cash-generating unit on which an impairment loss was recognized later has a higher recoverable amount, an impairment loss is reversed up to no higher than the amortized cost that would have resulted without the impairment. The impairment loss is reversed in profit or loss and is recognized in other operating income. The reversal of impairment losses on goodwill is not permitted. The write-down for the carrying amounts of investments in the non-consolidated subsidiaries was reversed through profit or loss in the amount of € 2,021 thousand at the RENK Group as of December 31, 2019 (previous year: no reversal). No goodwill was written down in the current or in the previous fiscal year.

Please see "(i) Primary financial instruments" for information on impairment in connection with financial assets.

(3) Accounting principles (Continued)

(g) Inventories

Inventories are measured at the lower of cost or net realizable value. Cost includes directly attributable production costs and pro rata fixed and variable production overheads. The allocated overheads are mostly determined on the basis of normal capacity utilization. Distribution expenses, general and administrative expenses and borrowing costs are not capitalized. Raw materials and merchandise are measured at weighted average cost.

(h) Contract assets and liabilities

When either party to a contract has satisfied its performance obligations, the entity must recognize a contract asset or a contract liability, depending on whether the entity has satisfied its performance obligation or the customer has paid. Unconditional rights to consideration must also be taken into account.

In the RENK Group, contract assets result from the satisfaction over time of performance obligations accounted for using the percentage of completion method. Under this method, pro rata sales revenue and the cost of sales are reported in accordance with the progress achieved by the end of the reporting period. This is calculated based on the transaction price agreed with the customer and the expected contract costs. The percentage of completion is calculated as the proportion of the costs incurred by the end of the reporting period in the total forecast contract costs (cost to cost method). If the result of a performance obligation cannot be reliably determined, sales revenue is only recognized in the amount of the contract costs incurred (zero profit method). Under the percentage of completion method, the parts of the contract for which sales revenue has been received are recognized net of prepayments received under prepayments received in the statement of financial position.

Expected losses from performance of obligations over a period of time are immediately recognized in full as an expense by writing down capitalized assets and recognizing provisions.

Contract liabilities comprise prepayments received and the contra entry for unconditional customer prepayment receivables, i.e. liabilities from prepayments to be received.

(i) Primary financial instruments

Financial instruments are agreements that give rise to a financial asset at one entity while at the same time giving rise to a financial liability or equity instrument at another. Regular way purchases and sales of financial instruments are recognized at the settlement date, i.e. the date on which the asset is delivered.

Primary financial instruments include, in particular, trade receivables, financial investments, securities, cash and cash equivalents, financial liabilities and trade payables. Primary financial instruments are carried at fair value less or plus transaction costs on initial recognition. This excludes financial instruments recognized at fair value through profit or loss and trade receivables that do not have significant financing components, which are recognized at transaction price in accordance with IFRS 15. Fair value on initial measurement is generally the transaction price, i.e. the consideration given or received.

On initial recognition, financial assets are classified as follows based on the business model applied and the structure of cash flows:

- at amortized cost;
- at fair value through other comprehensive income (debt instruments);
- at fair value through other comprehensive income (equity instruments);
- at fair value through profit or loss.

Financial liabilities are assigned to the following categories:

- at amortized cost;
- at fair value through profit or loss.

(3) Accounting principles (Continued)

The option of recognizing financial assets and liabilities at fair value through profit or loss is not exercised in the RENK Group.

Subsidiaries that are not consolidated for reasons of materiality and financial instruments from rights and obligations under IFRS 15 "Revenue from Contracts with Customers" are not assigned to a measurement category under IFRS 9 "Financial Instruments", though the impairment provisions of IFRS 9 must be taken into account for the latter financial assets on account of an exemption.

Regarding financial assets (debt instruments) for which the cash flows at specified dates are solely payments of principal and interest (SPPI criterion), RENK exclusively intends to hold these to collect the associated cash flows.

These financial assets are thus measured at amortized cost. The amortized cost of a financial asset or financial liability is the amount:

- at which the financial asset or financial liability is measured on initial recognition;
- less any repayments;
- less any recognized loss allowances, write-downs for impairment on or the uncollectibility of financial assets; and
- plus or minus the cumulative amortization of any difference between the original amount and the amount repayable on maturity (premium, discount) using the effective interest method.

In the RENK Group, the "Financial assets at amortized cost" category mainly comprises trade receivables, other financial assets and cash and cash equivalents. Non-interest-bearing and low-interest-bearing receivables with a remaining term of more than twelve months are discounted by discounting the future cash flows at the market rate, though there were no such receivables as of the end of the reporting periods December 31, 2019 and December 31, 2018.

RENK has no financial assets held under a business model that intends both collecting contractual cash flows and selling financial assets.

The credit risk of financial assets at amortized cost and contract assets under contracts with customers is taken into account by the recognition of Group-wide loss allowances for expected credit losses (expected credit loss model) and by recognizing impairment for the losses already incurred. A potential impairment is assumed not just if certain circumstances apply – such as late payments over a certain period, the initiation of enforcement measures, imminent insolvency or over-indebtedness, application for insolvency proceedings or failure of restructuring measures – but also for receivables not past due. In addition to the above objective indications, the length of time payments are past due is also taken into account in assessing increases in credit risk.

To calculate loss allowances, insignificant receivables and significant individual receivables without evidence of impairment are grouped into homogeneous portfolios based on common credit risk characteristics and broken down by risk class. Average historical probabilities of default in conjunction with the future parameters of the respective portfolio are used to calculate the amount of impairment.

Impairment for expected credit losses is calculated using a general approach based on the allocation of financial assets to the following stages:

Level 1:

For financial assets for which the risk of default has not increased significantly since initial recognition, a loss allowance is recognized for expected cash shortfalls within the next twelve months after the end of the reporting period.

Level 2:

For financial assets for which the risk of default has increased significantly at the end of the reporting period compared to the initial risk, a loss allowance is recognized for the lifetime expected credit losses of

(3) Accounting principles (Continued)

the financial instrument. The entity must obtain extensive and forward-looking information to assess a significant increase.

Level 3:

If there is objective evidence of impairment since the last reporting date, the financial assets are stage 3 and loss allowances are recognized on the basis of expected losses for their entire remaining term.

Regardless of the stages of the general approach described above, a loss allowance is recognized over the entire term of financial assets from the time of their addition if there is already objective evidence that they are credit-impaired on initial recognition.

The gross carrying amount of financial assets is written down if there is no valid expectation that the obligor will settle its liability in full or in part or that collateral can be realized, e.g. on the opening of insolvency proceedings or the failure of restructuring measures.

Loss allowances on trade receivables and contract assets are recognized in accordance with the simplified approach of IFRS 9. Under this method, the expected credit losses over the total remaining term of receivables and contract assets are calculated on the basis of a provision matrix with rates graded depending on the number of days that a receivable is past due. These rates are based on historical loss rates and forward-looking factors.

If there is objective evidence of individual impairment, the provision matrix is disregarded and a specific valuation allowance is recognized on trade receivables in the amount of the losses already incurred in line with stage 3 of the general approach.

Bad debt allowances on receivables are usually recognized in a separate allowance account. They are derecognized at the same time as the corresponding impaired receivable.

Financial assets at fair value through other comprehensive income include financial investments (equity instruments) for which the RENK Group exercises the irrevocable option for measurement at fair value through other comprehensive income. In the context of recognition through other comprehensive income, the changes in fair value after taking deferred taxes into account and all foreign exchange components are recognized in accumulated other comprehensive income. Reclassification to profit or loss when the financial asset is sold is not permitted, and instead reclassification is to retained earnings on disposal of the equity investment. Any dividends are recognized in profit or loss unless they represent a repayment of the cost.

With the exception of derivative financial instruments, financial liabilities are subsequently measured at amortized cost.

Financial assets and liabilities are reported at their gross value. They are only offset when this is legally enforceable for RENK at the current time and it actually intends to offset them.

RENK used the central financial management of the MAN Group in the year under review. Under a cash pooling process, the balances of the RENK accounts included are closed out by MAN SE, Munich, (hereinafter MAN SE), usually daily, and thus transformed into receivables from/liabilities to MAN SE. As part of its central financial management, MAN SE manages and guarantees the RENK Group's liquidity and credit supply with corresponding transactions on the international financial markets. Given their cash-like nature, RENK reports the receivables from financial transactions with MAN SE as cash and cash equivalents. They essentially result from central cash pooling and from highly liquid investments of a temporary nature at MAN SE. By contrast, deposits made with MAN SE of an investment nature are reported as other assets. Analogously, liabilities resulting from the central financial management of the MAN Group are reported as financial liabilities.

(j) Derivative financial instruments

The RENK Group uses derivative financial instruments to hedge foreign currency, interest rate and other price risks that can mainly arise from operating activities. The most important derivative financial instruments for RENK are currency forwards and options.

(3) Accounting principles (Continued)

Derivative financial instruments are measured at fair value on initial recognition and at the end of each subsequent reporting period. Derivative financial instruments are recognized on the trade date. Gains and losses from measurement at fair value are recognized in profit or loss.

The fair value for listed derivatives is their positive or negative market value, taking counterparty risk into account as applicable. If no quoted market prices are available, fair values are calculated based on the conditions at the end of the reporting period, such as interest rates or exchange rates, and using recognized models, such as discounted cash flow models or option pricing models.

RENK did not use hedge accounting in fiscal year 2019 or in fiscal year 2018. Hedge accounting in accordance with IFRS 9 is therefore not described here.

(k) Income tax expense

Tax liabilities include current income tax liabilities.

Deferred taxes are reported in separate items of the statement of financial position and the income statement. Provisions for potential tax risks are recognized based on the best possible estimate. The likely amount of the tax arrears payment is used as a basis for recognized income tax items.

Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and the tax basis, for temporary differences in profit or loss arising on consolidation and for tax credits and tax loss carryforwards. Deferred taxes are measured at the prevailing tax rate at the end of the reporting period or the future tax rate highly likely to be used.

Deferred tax assets are only recognized to the extent that taxable profit will be available for the utilization of the deductible temporary differences. Valuation allowances are recognized for deferred tax assets whose realization is not expected in the foreseeable future. Deferred tax assets for tax loss carryforwards are usually subsequently measured based on future taxable income for a planning period of five fiscal years.

Deferred tax assets are offset against deferred tax liabilities if they relate to the same taxation authority and to the extent that their maturities match.

Changes in deferred taxes in the statement of financial position lead to deferred tax expense or income. If the change in deferred taxes results from items recognized directly in equity, the change in deferred taxes is also recognized directly in equity.

(l) Pensions and similar obligations

Pension obligations from defined benefit plans are calculated using the projected unit credit method. The future benefit obligations are measured on the basis of the benefits accrued pro rata by the end of the reporting period and discounted to present value. Their measurement reflects assumptions about the future development of certain parameters that affect the future level of benefits.

Provisions for pension obligations are reduced by the fair value of the plan assets held to cover the pension obligations. If plan assets exceed obligations, the excess is only recognized in other assets if it will result in a refund from the plan or a reduction of future contributions.

The service cost, which represents the benefits of active employees accumulated in accordance with the benefit plan in the fiscal year, is reported in functional expenses. Net interest income and expenses are calculated by multiplying the net asset or net liability by the discount rate and are included in interest expense.

Remeasurements of the net asset or net liability include actuarial gains and losses arising from differences between the actuarial assumptions used and the actual trends, changes in actuarial assumptions and the return on plan assets, not including amounts included in net interest income or expenses. Remeasurements are recognized net of deferred taxes in equity.

Payments for defined contribution plans are recognized in functional expenses.

(3) Accounting principles (Continued)

(m) Other provisions

Other provisions are recognized for all identifiable risks and uncertain obligations resulting from past events that will probably lead to a future outflow of resources and whose amount can be reliably estimated. They are measured at the best estimate of the expenditure required to settle the obligation. The provision is carried at its net present value where the time value of money is material. The discount rate is based on market interest rates.

A reimbursement of third parties anticipated in connection with a provision is recognized as a separate asset if its realization is as good as certain. Provisions are regularly reviewed and adjusted as further information develops or circumstances change. If a change in an estimate results in a reduction of the obligation, the provision is reversed accordingly and the income is recognized in the corresponding functions or in other operating income.

Provisions for warranties are recognized at the time of sale of the products concerned or the performance of the relevant service. Their measurement is primarily based on historical experience. Individual provisions are also recognized for known losses. Provisions for restructuring measures are recognized when the Group has produced a detailed, formal plan of measures containing information on the division affected, the estimated number of employees and a cost estimate and the parties concerned or their representatives have been informed accordingly. Provisions for outstanding costs and other commitments are measured on the basis of services yet to be performed, usually in the amount of the production costs expected to be incurred. Provisions for anticipated losses from onerous contracts are recognized when the expected benefit resulting from the contract is less than the unavoidable costs to fulfill the contract.

(n) Business Combinations

The acquisition method was used to account for the Horstman acquisition in accordance with IFRS 3 "Business Combinations". The consideration transferred for the acquisition of a subsidiary comprises:

- the fair values of the assets transferred,
- the liabilities incurred by the former owner of the operation acquired and
- the equity interests issued by the Group.

Identifiable assets acquired and liabilities and contingent liabilities assumed as part of the business combination are initially measured at fair value at the acquisition date. Costs related to acquisitions are recognized as an expense.

The excess of the consideration transferred over the fair value of the identifiable net asset acquired was recognized as goodwill.

(o) Estimates and judgments

When preparing consolidated financial statements, to a certain extent assumptions and estimates are made that affect the amount and reporting of the recognized assets and liabilities, income and expenses and information on contingent assets and liabilities in the reporting period. The estimates were made on the basis of past experience and other relevant factors, including the assumption of going concern. All estimates and assumptions are made to the best of knowledge and belief to provide a true and fair view of the net assets, financial position and results of operations of the Group. Any uncertainty is adequately reflected in valuations, although future events can still differ from these estimates and have a material effect on the net assets, financial position and results of operations of the RENK Group. Estimates and judgments are reviewed on an ongoing basis.

The assumptions made regarding the following matters as of the end of the reporting period are of particular significance:

If intangible assets, property, plant and equipment, right-of-use assets, other equity investments and financial investments, other receivables or goodwill are tested for impairment, this requires a forecast of future cash flows for the calculation of the recoverable amount and their discounting, among other things.

(3) Accounting principles (Continued)

Such cash flows are based on forecasts that are in turn based on the business and financial planning approved by the management. Other material assumptions relate to the weighted average cost of capital and tax rates.

Estimates of the useful life of depreciable assets are based on past experience. If, in the context of the review of useful life, a change is made in estimates, the remaining useful life is adjusted and any impairment loss is recognized.

Recognizing the leases in the form of a right-of-use asset and a lease liability requires estimates on the lease term of the relevant lease components. It must be assessed whether it is reasonably certain that the contractually agreed extension, termination and call options will be exercised. The estimate for the initial recognition of the lease components determines the amount of the lease liability and thus the right-of-use asset. Changes to the estimate in subsequent periods result in a change to the residual values of statement of financial position items related to leases.

Individual performance obligations are accounted for over time using the percentage of completion method. Sales revenue is accounted for using the percentage of completion method. This method places considerable importance on accurate estimates of the percentage of completion. Depending on which method is used to determine the percentage of completion, significant estimates include contract revenue, total contract costs, the remaining costs to completion, contract risks and other assessments. The management of the operating units is continuously reviewing the estimates for such performance obligations and adjusts them as necessary.

Estimates, especially for variable remuneration components, are required to calculate the transaction price as the expected consideration in exchange for the transfer of goods and services. The variability relates to the claim actually arising and to the amount of the claim. The single most likely amount in a range of possible contractual consideration amounts is selected as the most likely amount. In addition, some or all of the variable consideration component is only included in the transaction price to the extent that it is highly probable that a significant reversal of the revenue recognized will not occur. This assessment of probabilities and the restriction of variable remuneration components is based on management estimates.

Determining impairment of financial assets requires estimates of the level and probability of occurrence of future events. As far as possible, estimates are derived from past experience.

Pensions and similar obligations are measured using actuarial methods. These are mainly based on assumptions relating to discount rates, salary and pension trends and mortality. These actuarial assumptions can differ significantly from actual developments due to changes in market and economic conditions and therefore lead to a substantial change in pensions and similar obligations. The underlying assumptions are presented in the “Pensions and similar obligations” section.

As the Group operates in several countries, it is subject to different tax laws. The expected current income taxes and the deferred tax assets and liabilities must be calculated for each taxable entity. This requires, among other things, assumptions about the interpretation of complex tax regulations and the ability to generate sufficient taxable income within the respective tax type and jurisdiction. If these assumptions differ from the actual outcome of such tax uncertainties, this can affect tax expenses and deferred taxes. The best estimate of the expected tax payment is used for recognized uncertain income tax positions.

Depending on the matter at hand, the measurement of other provisions and similar obligations is complex at times and entails estimates to a considerable extent. The assumptions made by management with respect to the timing and amount of utilization are based, among other things, on historical data, available technical data, estimates of cost trends and potential warranty claims, discount rates and possible recoverable amounts. Litigation and other legal proceedings simultaneously give rise to complex legal issues and are subject to many difficulties and uncertainties. A provision is recognized for this if it is likely that, in connection with these proceedings, a liability has been incurred that will probably lead to an outflow of resources and its amount can be reliably estimated. Assessing whether a present obligation as of the end of the reporting period is as a result of a past event, whether a future outflow is likely and whether the obligation can be estimated reliably requires considerable judgment and significant estimates by management. Future events and developments as well as changes in estimates and assumptions can lead to

(3) Accounting principles (Continued)

an amended assessment at a future date. Additional expenses that can have a material effect on the net assets, financial position and results of operations of RENK thus cannot be completely ruled out. Changes in contractual or actual circumstances are monitored and assessed as regards the potential impact on the amount and reporting of the recognized assets and liabilities, income and expenses and information on contingent assets and liabilities in the reporting period. Developments in these general conditions that deviate from assumptions and are beyond management control can cause amounts to differ from the original estimates.

(4) Statement of cash flows

In the statement of cash flows, cash flows are divided into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities. The effects of changes in the basis of consolidation and exchange rates are eliminated in the respective positions. The effect of exchange rate changes on cash and cash equivalents is reported separately.

Cash flows from operating activities are calculated using the indirect method. Noncash operating expenses and gains/losses from asset disposals are therefore eliminated in cash flows from operating activities.

Besides additions to property, plant and equipment, cash flows from investing activities also include deposits of an investment nature in intangible assets and other equity investments and financial investments. Cash outflows for the acquisition of the Horstman Group are also recognized here. Proceeds from these items are offset against each other.

Cash flows from financing activities consist of the following cash transactions: dividend payments, lease payments, proceeds from and payments for securities, the borrowing and repayment of financial liabilities.

The cash and cash equivalents shown in the statement of cash flows correspond to the "Cash and cash equivalents" item in the statement of financial position. Cash and cash equivalents include bank balances, highly liquid investments of a temporary nature that are only subject to minor risks of fluctuations in value and the receivables under MAN SE's cash pooling.

(5) New and revised accounting pronouncements and methods

(a) Impact of new and revised IFRSs

RENK has implemented all accounting standards endorsed by the EU and effective for financial periods from January 1, 2019.

IFRS 16 "Leases"

The RENK Group has applied IFRS 16 since January 1, 2019.

IFRS 16 amends the provisions for accounting for leases and supersedes the previous Standard IAS 17 and its associated interpretations.

The central objective of IFRS 16 is the recognition of all leases in the statement of financial position. Accordingly, lessees will no longer distinguish between finance and operating leases. Instead, they must recognize a right-of-use asset and a lease liability for all leases in their statement of financial position. In the RENK Group, the lease liability is measured using the outstanding lease payments discounted at the incremental borrowing rate, while the right-of-use asset is measured at the amount of the lease liability. Here, the option is exercised to exclude initial direct costs at the date of initial application. During the term of the lease, the right-of-use asset must be amortized and the lease liability must be carried forward using the effective interest method and taking lease payments into account. IFRS 16 allows practical expedients used by the RENK Group for short-term and low-value leases, and therefore right-of-use assets and lease liabilities are not recognized for such leases. These lease payments continue to be recognized as expenses in the income statement. At the time of adoption, leases ending before January 1, 2020 were classified as current leases regardless of when they began.

(5) New and revised accounting pronouncements and methods (Continued)

As of January 1, 2019, the RENK Group accounted for leases using the modified retrospective transition method in accordance with IFRS 16 for the first time. The prior-year periods were not adjusted. Under this method, the lease liability must be recognized at the present value of the outstanding lease payments as of the transition date. The present value is calculated based on incremental borrowing rates as of January 1, 2019. The weighted average interest rate for this in the RENK Group was 2.1%. The leases essentially include office and warehouse space and vehicles. The normal lease term is between one and five years.

By way of simplification, the right-of-use assets are recognized at the amount of the respective lease liability adjusted for any prepaid or accrued lease payments. Right-of-use assets were not tested for impairment as of the adoption date as there was no evidence of impairment on operating leases as of December 31, 2018. The right-of-use assets shown in the statement of financial position are reported in those statement of financial position items in which the assets to which the lease relates would have been reported if the RENK Group had owned them. The right-of-use assets are therefore reported under non-current assets in property, plant and equipment as of the end of the reporting period.

The first-time recognition of right-of-use assets and lease liabilities gave rise to the following effects as of January 1, 2019:

- Right-of-use assets of € 5,182 thousand were recognized under property, plant and equipment in the opening statement of financial position.
- Lease liabilities of € 5,182 thousand were reported under current and non-current financial liabilities.
- Adoption had no effect on equity.

The difference between expected payments for operating leases of € 4,907 thousand discounted using the incremental borrowing rate as of December 31, 2018 and the lease liabilities of € 5,182 thousand recognized in the opening statement of financial position essentially results from the reassessment of lease terms in accordance with IFRS 16. Reasonably certain extension or termination options were taken into account in determining the lease payments to be capitalized. In addition, lease payments for low-value and short-term leases are not included in lease liabilities in the opening statement of financial position.

Unlike under the previous approach, where expenses for operating leases were shown in full in operating profit, under IFRS 16 only the amortization of rights of use is shown in operating profit. Interest expenses on lease liabilities are reported in the financial result. This improved the operating profit by € 179 thousand in the 2019 fiscal year.

The change in the recognition of operating lease expenses in the statement of cash flows resulted in an improvement in cash flow from operating activities of € 1,076 thousand as of December 31, 2019. Cash flows from financing activities were increased accordingly. The increase in financial liabilities resulting from the change in accounting policies had a negative impact of € 6,345 thousand on the RENK Group's net liquidity as of December 31, 2019.

This will also lead to significantly more extensive disclosures in the notes.

(b) Other accounting standards effective for the first time

The following amendments and accounting standards effective for the first time in fiscal year 2019 have no effect on the presentation of the net assets, financial position and results of operations in the RENK consolidated financial statements:

- The International Accounting Standards Board has made changes to IFRS 9 "Financial Instruments" since January 1, 2019. Under these changes, certain financial instruments that include a repayment option with negative compensation can be measured at amortized cost or at fair value through other comprehensive income.
- Since January 1, 2019, amendments have been issued for IAS 19 "Employee Benefits" in plan amendment, curtailment or settlement. These require the current service cost and net interest for the rest of the fiscal year to be remeasured using the current actuarial assumptions. They also clarified the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

(5) New and revised accounting pronouncements and methods (Continued)

The new regulation results in the following additional qualitative disclosures at the RENK Group, but does not have any impact on the net assets, financial position and results of operations.

- As of January 1, 2019, the amendment to IAS 28 "Investments in Associates and Joint Ventures" clarified that the impairment requirements under IFRS 9 "Financial Instruments" are to be applied to long-term interests in associates and joint ventures that essentially represent a net investment and that are not recognized in accordance with the equity method.
- The IFRIC 23 interpretation "Uncertainty over Income Tax Treatments" has been in force since January 1, 2019 and requires tax risks to be taken into account if tax authorities are unlikely to accept tax treatments.
- Various regulations have become effective since January 1, 2019 as part of the 2017 improvement of International Financial Reporting Standards (Annual Improvements to IFRS Standards 2015-2017 Cycle). These include amendments to IFRS 3, IAS 12, and IAS 23 and do not affect the net assets, financial position and results of operations of the RENK Group.

(c) New and revised IFRSs not adopted

RENK did not adopt the following accounting standards that have been adopted by the IASB but that are not yet effective for the fiscal year in the 2019 consolidated financial statements.

Standard/ Interpretation		Published by IASB	Mandatory application[1]	Endorsed by EU	Anticipated impact
IFRS 3	Amendments to business combinations: Definition of a business	Oct. 22, 2018	Jan. 1, 2020	No	No impact
IFRS 17 . . .	Insurance contracts	May 18, 2017	Jan. 1, 2021[2]	No	No impact
IAS 1 . . . . . IAS 8	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Materiality	Oct. 31, 2018	Jan. 1, 2020	Yes	No material impact
	Revisions to Conceptual Framework	March 29, 2018	Jan. 1, 2020	Yes	No material impact
IFRS 9 . . . . IAS 39 IFRS 7	Interest Rate Benchmark Reform	Sep. 26, 2019	Jan. 1, 2020	Yes	No impact
IAS 1	Change to assessment criteria for classification of liabilities as current or non-current	Jan. 23, 2020	Jan. 1, 2022	No	No impact

(1) Initial adoption mandatory for the RENK Group.

(2) The IASB recommended postponing the adoption date until January 1, 2022.

(5) New and revised accounting pronouncements and methods (Continued)

Notes to the Consolidated Income Statement

(6) Sales revenue

€ thousand	2019	2018
Germany	160,670	161,515
Other EU countries	156,058	146,682
Asia	135,630	106,845
Americas	68,199	45,387
Other European countries	30,579	33,585
Australia and Oceania	3,909	1,860
Africa	3,563	6,344
	558,609	502,218

All recognized sales revenue results from contracts with customers. The performance obligations extend to all products in the RENK Group's product range. The RENK Group typically recognizes revenue at a point in time. The Vehicle Transmissions segment includes revenue recognized over a period of time of € 18,351 thousand (previous year: € 21,420 thousand).

There were no prior-period sales revenue recognized in fiscal year 2019 due to the subsequent change in the transaction price (previous year: € 278 thousand).

RENK uses standard international trade terms (Incoterms) to demonstrate the performance of its obligations, whereby all groups are applied and allocation to a specific product group is not possible.

In addition to the usual payment terms of a maximum of 90 days after performance, the terms of payment also include (pro rata) prepayments.

The unfulfilled or partially unfulfilled performance obligations under contracts with customers are included in the order backlog at a transaction price of € 820,779 thousand as of December 31, 2019. The recognition of the corresponding sales revenue is expected in the following fiscal years:

			Dec. 31, 2019
€ thousand	2020	2021 to 2026	>2026
Transaction price of remaining performance obligations	477,981	335,665	7,133

(7) Other operating income

€ thousand	2019	2018
Income from exchange rate changes and derivatives	4,186	1,623
Earnings from costs charged on	1,601	—
Income from reversal of provisions	1,217	2,785
Income from asset disposals	431	339
Prior-period income	405	1,838
Other income	510	833
	8,350	7,418

Please see "Other non-current and current provisions" for information on income from the reversal of provisions.

(7) Other operating income (Continued)

Income from exchange rate changes and derivatives firstly includes gains from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currency and realized and unrealized price gains from the measurement of derivatives at the closing rate. The resulting exchange rate losses are reported in other operating expenses.

Income from costs charged on include costs passed on for consulting services and internal costs related to preparing the disposal of the equity investment to RENK AG by the Volkswagen Group.

(8) Other operating expenses

€ thousand	2019	2018
Expenses from exchange rate changes and derivatives	5,007	2,808
Incidental costs of business combination	879	—
Expenses from costs charged on	801	—
Addition to miscellaneous other provisions	600	821
Surety and bank fees	487	596
Losses on asset disposals	383	13
Personnel expenses	79	917
Other expenses	1,575	566
	9,811	5,721

Other operating expenses comprise the expenses not allocated to functional expenses, in particular the cost of sales.

Expenses from exchange rate changes and derivatives firstly include gains from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currency and realized and unrealized price losses from the measurement of derivatives at the closing rate. The resulting exchange rate gains are reported in other operating income.

Expenses from costs charged on comprise consulting services related to preparing the disposal of the equity investment to RENK AG by the Volkswagen Group.

(9) Interest expense and other financial result

Interest expense

€ thousand	2019	2018
Interest cost on provisions and liabilities	369	147
Interest and similar expenses	459	253
Interest expense	828	400

The effect of changes in the discount rate for liabilities and other provisions resulted in an expense of € 63 thousand in fiscal year 2019 (previous year: € 44 thousand) and is included in interest expense.

The interest cost on provisions and liabilities includes interest expenses from lease liabilities in the amount of € 126 thousand, which were recognized for the first time in fiscal year 2019.

(9) Interest expense and other financial result (Continued)

Other financial result

€ thousand	2019	2018
Income		
Income from reversals of impairment losses for equity investments	2,021	—
Income from dividends	699	1,979
Other interest and similar income	459	131
Expenses		
Expenses from measurement effects and write-downs of financial instruments	(451)	(307)
Other financial result	2,728	1,802

€ 136 thousand (previous year: € 112 thousand) of interest income results from financial transactions with MAN SE.

(10) Income tax expense

€ thousand	2019	2018
Current taxes		
Germany	15,634	20,760
Outside Germany	3,619	1,596
Deferred taxes		
Germany	(213)	(3,116)
Outside Germany	(888)	(136)
	18,152	19,105

The tax expense forecast for fiscal year 2019 results from applying the domestic tax rate of 31.96% (previous year: 32.01%) for the 2019 assessment period to the profit before tax. This tax rate takes into account German municipal trade tax of 16.14% and, as in the previous year, German corporate income tax of 15.00% and the solidarity surcharge of 5.50% of corporate income tax. The Group tax rate as of December 31, 2019 was 29.80% (previous year: 31.00%). Local tax rates for foreign companies range from 19.00% to 33.33%.

Reconciliation of forecast to current income taxes:

€ thousand	2019	%	2018	%
Profit before taxes	62,323	100	61,615	100
Forecast tax expense	18,649	29.9	19,723	32.0
Difference due to changes in tax rates	17	0.0	10	0.0
Tax-exempt income	(112)	(0.2)	(118)	(0.2)
Non-deductible expenses	136	0.2	181	0.3
Taxes for previous years and other	(537)	(0.9)	(691)	(1.1)
Current tax expense	18,152	29.1	19,105	31.0

The current tax expense includes a prior-period income tax expense of € 25 thousand (previous year: € 237 thousand).

(10) Income tax expense (Continued)

Deferred taxes are attributable to the following items:

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Deferred tax assets		
Intangible assets	54	19
Property, plant and equipment	214	5
Other equity investments and financial investments	—	—
Inventories	10,050	11,096
Receivables and other assets	62	559
Pensions and similar obligations	17,474	14,400
Liabilities and other provisions	10,744	7,344
Loss carryforwards	63	—
Impairment losses on deferred tax assets	—	—
Gross amount	38,660	33,422
of which non-current	21,196	14,424
Offset	(30,055)	(27,782)
Consolidation	1,001	655
Carrying amount in statement of financial position	9,606	6,295

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Deferred tax liabilities		
Intangible assets	6,323	—
Property, plant and equipment	16,100	12,456
Other equity investments and financial investments	35	35
Inventories	105	81
Receivables and other assets	10,114	6,724
Pensions and similar obligations	—	—
Liabilities and other provisions	6,539	8,232
Gross amount	39,216	27,529
of which non-current	23,627	12,491
Offset	(30,009)	(27,513)
Consolidation	22	(16)
Carrying amount in statement of financial position	9,229	—

In connection with investments in subsidiaries there are temporary differences for which deferred taxes are recognized in the amount of € 404 thousand (previous year: € 290 thousand).

(11) Earnings per share

	2019	2018
Profit after tax in € thousand	44,171	42,510
Weighted average shares outstanding (in thousands)	6,800	6,800
Earnings per share in €	6.50	6.25

In accordance with IAS 33, earnings per share are calculated from the consolidated profit after tax and the average number of shares outstanding in the year. There were no instruments as of either December 31, 2019 or December 31, 2018 that would dilute earnings per share.

(12) Other income statement disclosures

The cost of sales includes research and development costs of € 13,711 thousand (previous year: € 13,069 thousand).

(12) Other income statement disclosures (Continued)

Staff costs break down as follows:

€ thousand	2019	2018
Wages and salaries	165,809	155,865
Social security and post-employment expenses	39,755	32,609
	205,564	188,474

RENK employed 2,327 people (previous year: 2,159) on average over the year. Of these, 1,297 (previous year: 1,216) worked directly and 1,029 (previous year: 943) indirectly in production. There were 38 employees in the non-active phase of early retirement (previous year: 45). On average, 106 people (previous year: 105) were in vocational training.

Lease expenses amount to:

€ thousand	2019	2018
Rental and lease expenses	1,510	2,448
	1,510	2,448

Short-term leases of € 1,344 thousand and low-value leases of € 166 thousand were recognized directly as an expense in the reporting period as part of the exemption for capitalizing leases. Low-value leases comprise exclusively long-term contracts.

In the previous year, payments from all rental and lease expenses were recognized as an expense. For information on changes to accounting and presentation, please see "New and revised accounting pronouncements and methods".

(13) Total remuneration for work by the auditor

In the year under review, the Supervisory Board proposed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, (PwC) as the auditor; the Annual General Meeting endorsed this proposal on May 7, 2019.

The table below shows the fees charged for the work of the auditor PwC and the companies of the international PwC network in fiscal year 2019 and 2018:

€ thousand	2019	2018
Audit of the financial statements	329	224
Other assurance services	12	27
Tax advisory services	3	2
Other services	810	—
Auditor remuneration	1,154	253

The fees charged for work by the German auditor PwC and its affiliated German companies in fiscal year 2019 totaled € 1,068 thousand (previous year: € 223 thousand). € 246 thousand (previous year: € 196 thousand) of this related to the audit of the financial statements, € 12 thousand (previous year: € 27 thousand) to other assurance services and € 810 thousand to other services.

Audit services comprise the audit of the consolidated and single-entity financial statements of RENK AG and its subsidiaries. Fees for other services were essentially incurred for due-diligence services in connection with the transaction stated in the section on events after the reporting period. They were charged on to Volkswagen AG. They also include fees for due-diligence services in connection with the acquisition of shares in Horstman Holdings Ltd., Bath.

(14) Business combination

On April 16, 2019, RENK AG acquired all shares in the Horstman Group at a converted purchase price of € 44.4 million, representing a net investment volume of € 37.7 million.

At the time of the acquisition, the Horstman Group comprised the following companies:

- Horstman Holdings Limited, Bath, UK,
- Horstman Defence Systems Limited, Bath, UK
- Horstman Inc., Sterling Heights (MI), USA,
- Horstman Systems Inc., Woodbridge, Canada.

Due to the ongoing loss situation, the investment in Horstman Systems Inc., Woodbridge, Canada, was measured at a cost of zero as part of the purchase price allocation. Horstman Systems Inc., Woodbridge, Canada, is not included in the basis of consolidation as it is insignificant to the RENK Group's net assets, financial position and results of operations.

At the time of acquisition, the fair values of the assets acquired and debts assumed of the Horstman Group were as follows:

€ thousand	Apr. 16, 2019
Intangible assets – brand	5,272
Intangible assets – customer relationships	15,291
Intangible assets – technology	13,079
Other intangible assets	1,043
Property, plant and equipment	13,860
Inventories	8,898
Trade receivables	4,948
Other receivables	2,900
Cash and cash equivalents	6,703
Financial liabilities	(9,050)
Deferred tax liabilities	(7,589)
Trade payables	(6,524)
Other liabilities	(9,835)
Other provisions	(340)
Total identifiable net assets	38,658
plus goodwill	5,702
Net assets acquired	44,360

The goodwill resulting from the purchase price allocation reflects staff expertise, expectations of future synergies and future sales potential within the Vehicle Transmissions business. This goodwill is not deductible for tax purposes. Trade receivables of € 4,948 reflect gross amounts. These were considered to be recoverable in full at the time of acquisition.

RENK AG's sales revenue included € 36,181 thousand for the Horstman Group that has been incurred since the acquisition. The additional contribution to earnings totals € 4,075 thousand. If the transaction had been made on January 1, 2019, estimates indicate that additional sales revenue of € 13,026 thousand and additional earnings of € 1,191 thousand would have been taken into account.

The Horstman Group was included in RENK AG's consolidated financial statements at its final figures in accordance with IFRS and purchase price allocation.

The Group incurred costs of € 879 thousand for legal and due diligence services in connection with the business combination as of December 31, 2019. These costs are recognized in full in Other operating expenses.

(14) Business combination (Continued)

Goodwill was as follows:

€ thousand	2019
Carrying amount of goodwill on Jan. 1	—
Addition from acquisition of Horstman Group[1]	5,702
Total currency translation difference	94
Carrying amount of goodwill on Dec. 31	5,796

(1) Translation of goodwill of GBP 4,692 thousand at the exchange rate as of April 16, 2019.

No company acquisition in accordance with IFRS 3 was to be recognized as of December 31, 2018.

(15) Intangible assets

€ thousand	Licenses, software and similar rights	Goodwill	Other intangible assets	Total
Gross carrying amount on Jan. 1, 2018	14,550	—	5,435	19,985
Cumulative depreciation/amortization and impairment losses	(12,893)	—	(5,435)	(18,328)
As of Jan. 1, 2018	1,657	—	—	1,657
Additions	618	—	—	618
Reclassifications	9	—	—	9
Disposals	(7)	—	—	(7)
Depreciation/amortization	(964)	—	—	(964)
Addition to basis of consolidation	1,052	—	—	1,052
Currency adjustment	19	—	—	19
As of Dec. 31, 2018	2,384	—	—	2,384
Gross carrying amount on Dec. 31, 2018	16,427	—	5,642	22,069
Cumulative depreciation/amortization and impairment losses	(14,043)	—	(5,642)	(19,685)
As of Jan. 1, 2019	2,384	—	—	2,384
Additions	764	—	—	764
Reclassifications	303	—	—	303
Disposals	(1,569)	—	—	(1,569)
Depreciation/amortization	(1,392)	—	(783)	(2,175)
Cumulative depreciation/amortization on disposals	1,569	—	—	1,569
Addition to basis of consolidation[1]	6,315	5,757	28,573	40,645
Currency adjustment	70	39	257	366
As of Dec. 31, 2019	8,444	5,796	28,047	42,287
Gross carrying amount on Dec. 31, 2019	22,506	5,796	34,690	62,992
Cumulative depreciation/amortization and impairment losses	(14,062)	—	(6,643)	(20,705)

(1) Translation at closing rate

Amortization of intangible assets is included in the functional expenses, in the cost of sales in particular.

The acquired brand, customer relationships, technology and goodwill from the initial consolidation of the Horstman Group were recognized under "Addition to basis of consolidation" in fiscal year 2019. In the previous year, addition to the basis of consolidation related to intangible assets from the merger of MAAG Gear Systems AG, Wallisellen, Switzerland, with RENK-MAAG GmbH, Winterthur, Switzerland.

(16) Property, plant and equipment

€ thousand	Land and buildings	Right-of-use assets on land and buildings[(1)]	Technical equipment and machinery	Other equipment, operating and office equipment	Right-of-use assets on other equipment, operating and office equipment[(1)]	Prepayments and assets under construction	Total
Gross carrying amount on Jan. 1, 2018	112,339	—	223,665	43,130	—	11,479	390,613
Cumulative depreciation/ amortization and impairment losses	(44,081)	—	(122,360)	(27,486)	—	—	(193,927)
As of Jan. 1, 2018	68,258	—	101,305	15,643	—	11,479	196,686
Additions	952	—	4,597	4,762	—	24,432	34,743
Reclassifications	86	—	4,902	139	—	(5,135)	(9)
Disposals	—	—	(3,747)	(3,222)	—	—	(6,969)
Depreciation/ amortization	(2,622)	—	(11,508)	(3,919)	—	—	(18,048)
Cumulative depreciation/ amortization on disposals	—	—	2,695	722	—	—	3,417
Currency adjustment	104	—	94	16	—	7	221
As of Dec. 31, 2018	66,779	—	98,337	14,142	—	30,783	210,041
Gross carrying amount on Dec. 31, 2018	113,537	—	229,929	44,862	—	30,783	419,111
Cumulative depreciation/ amortization and impairment losses	(46,758)	—	(131,593)	(30,720)	—	—	(209,071)
As of Jan. 1, 2019[(2)]	66,779	5,070	98,337	14,142	111	30,783	215,223
Additions	4,930	823	9,618	4,672	380	13,347	33,770
Reclassifications	10,008	—	10,205	(24)	—	(20,492)	(303)
Disposals	(60)	—	(8,252)	(4,359)	—	(234)	(12,905)
Depreciation/ amortization	(2,972)	(943)	(12,657)	(4,465)	(186)	—	(21,223)
Cumulative depreciation/ amortization on disposals	47	—	8,260	4,110	—	—	12,417
Addition to basis of consolidation[(3)]	362	905	11,854	1,208	—	—	14,329
Currency adjustment	113	150	112	13	—	8	395
As of Dec. 31, 2019	79,207	6,005	117,477	15,297	305	23,412	241,703
Gross carrying amount on Dec. 31, 2019	128,917	6,965	253,903	46,408	491	23,412	460,096
Cumulative depreciation/ amortization and impairment losses	(49,710)	(960)	(136,426)	(31,111)	(186)	—	(218,393)

(1) New asset class under IFRS 16. Please see "New and revised accounting pronouncements and methods".

(2) As of Jan. 1, 2019 after change in accounting due to IFRS 16. Please see "New and revised accounting pronouncements and methods".

(3) Translation at closing rate

Depreciation on property, plant and equipment is included in the functional expenses, in the cost of sales in particular.

Property, plant and equipment from the acquisition of the Horstman Group were recognized under Addition to basis of consolidation. Please see "Business combination".

The leases recognized for the first time as right-of-use assets comprise buildings, warehouse space and vehicle leases. Total cash outflows for the right-of-use assets came to € 2,345 thousand in the current fiscal year.

(17) Other equity investments and financial investments

The subsidiary RENK Holding Canada Inc., Toronto, Canada, which was founded in fiscal year 2019 and is not consolidated, was recognized at a cost of € 2,067 thousand. RENK Holding Canada Inc. holds exclusively the shares in the financial investment Modest Tree Media Inc. in Canada.

(17) Other equity investments and financial investments (Continued)

Testing for impairment of the carrying amounts of investments in RENK Transmisyon Sanayi A.S., Istanbul, Turkey, and RENK Shanghai Service and Commercial Co., Ltd., Shanghai, China, as of December 31, 2019 resulted in a reversal of the write-down through profit or loss from € 174 thousand and € 1,847 thousand to the original cost of the acquisition.

(18) Inventories

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Raw materials, consumables and supplies	41,105	27,414
Finished goods and work in progress	186,724	166,894
Prepayments for inventories	2,603	2,269
	230,432	196,578

Consumption of inventories of € 343 million (previous year: € 313 million) was recognized in the cost of sales in the reporting period.

Reversals of impairment losses on inventories of € 959 thousand were recognized in fiscal year 2019 (previous year: write-downs of € 1,550 thousand).

(19) Trade receivables

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Customer receivables	126,789	96,516
Receivables from affiliated companies	8,408	8,337
	135,197	104,854

In line with the operating cycle, all trade receivables are reported as current.

(20) Contract assets

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Contract assets from customers	4,308	5,591
Contract assets from associates	—	127
	4,308	5,718

Contract assets developed as follows:

€ thousand	2019	2018
As of Jan. 1	5,718	7,496
Additions and disposals	(1,453)	(1,816)
Changes in valuation allowances	27	16
Currency changes	16	22
As of Dec. 31	4,308	5,718

(21) Loss allowances

The allowances for expected credit losses on trade receivables and contract assets under contracts with customers developed as follows:

€ thousand	2019	2018
As of Jan. 1	1,791	1,359
Addition	713	495
Addition to basis of consolidation	78	—
Utilization	(92)	(26)
Reversal	(104)	(50)
Currency translation differences	21	13
As of Dec. 31	2,407	1,791

The following changes in the gross carrying amounts of trade receivables and contract assets affected the amount of the loss allowances recognized:

€ thousand	2019	2018
As of Jan. 1	112,363	88,819
Additions and disposals	17,953	23,192
Addition to basis of consolidation	11,106	—
Currency translation differences	490	352
As of Dec. 31	141,912	112,363

(22) Other non-current and current assets and receivables

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Customer prepayment receivables	20,967	15,448
Prepaid expenses	2,391	2,029
Commission claims	2,025	1,890
Receivables from costs charged on	1,632	—
Receivables from suppliers	935	124
Other tax assets	931	2,413
Refund claims	513	—
Derivative financial instruments	106	3
Miscellaneous other assets	1,514	350
	31,014	22,257

Receivables from costs charged on comprise the costs passed on to Volkswagen AG for consulting services and internal costs related to preparing the disposal of the equity investment to RENK AG by the Volkswagen Group.

Other assets break down as follows according to maturity:

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Other non-current assets and receivables	889	6
Other current assets and receivables	30,125	22,251
	31,014	22,257

Derivative financial instruments are carried at fair value. They are used to hedge currency risks on customer orders and other foreign exchange positions.

(23) Cash and cash equivalents

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Bank balances, checks, cash in hand	3,809	243
Receivables from financial transactions with MAN SE	98,667	185,457
	102,476	185,700

Receivables from financial transactions with MAN SE essentially result from the central cash pooling of the MAN Group. These investments are of a temporary nature and are only subject to insignificant risks of fluctuations in value.

(24) Equity

The share capital of RENK AG of € 17,920,000 is divided into 7 million no-par value shares with equal rights. All shares are fully paid up. Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH), Wolfsburg, held 76% of the subscribed capital of RENK AG in the year under review.

A total of 199,903 treasury shares or 2.86% of the share capital (share of capital: € 512 thousand) were held by the company on December 31, 2019. The difference between the accounting par value and the cost of the acquisition of the treasury shares in the amount of € 3,501 thousand is offset in retained earnings. The capital reserves relate exclusively to share premiums in the context of capital increases by RENK AG. The accumulated other comprehensive income predominantly results from the fair value measurement of provisions for pension obligations.

In accordance with the provisions of the German Stock Corporation Act, the net retained profits of the Group parent RENK AG are available for distributions. The net retained profits of RENK AG amount to € 33,698 thousand as of December 31, 2019. The Executive Board and the Supervisory Board will propose to the Annual General Meeting the distribution of a dividend for fiscal 2019 unchanged as against the previous year of € 2.20 per share. With 7,000,000 no-par value shares less the treasury shares without dividend rights in accordance with section 71b of the Aktiengesetz (AktG—German Stock Corporation Act) (199,903 shares), this corresponds to an amount of € 14,960,213.40. Shareholders' entitlement to the dividend arises only with the resolution by the Annual General Meeting.

The most important goals of capital management at RENK are sustainably increasing enterprise value and safeguarding the liquidity and creditworthiness of the Group. Factors contributing to this are the reduction of the cost of capital, the optimization of the capital structure and effective risk management.

RENK AG is not subject to any capital requirements on the basis of its Articles of Association.

(25) Pensions and similar obligations

The RENK Group grants its employees retirement benefits in accordance with the country-specific circumstances in the form of defined benefit or defined contribution pension plans.

In defined contribution plans, contributions are paid to state or private pension funds on the basis of legal or contractual regulations. There are no further payment obligations other than the payment of contributions.

Current contributions are recognized as an expense in the respective year; in 2019 they amounted to a total of € 12,670 thousand (previous year: € 11,666 thousand) in the RENK Group.

(25) Pensions and similar obligations (Continued)

The following amounts were recognized in the statement of financial position for defined benefit pension plans:

€ thousand	2019	2018
Present value of externally financed obligations	181,040	164,939
Plan assets at fair value	(167,342)	(149,346)
Funding status on December 31	13,698	15,593
Present value of unfunded obligations	514	428
Carrying amount on December 31	14,211	16,021
of which provisions for pension obligations	14,233	16,023
of which other receivables from surplus IAS 19.64	21	2

(a) Pension plans in Germany

As one of the essential elements of its remuneration policy, the RENK Group provides its domestic employees with benefits under a modern and attractive occupational pension system for the time after their active working life. This provides reliable additional income on retirement and risk protection for disability and death.

Under the current pension plans, the active employees receive employer contributions linked to their remuneration and, in addition, also have the option of personal provision through deferred compensation (paid for by the employer for employees subject to collective bargaining agreements). When actively working, employees accrue pension capital from employer- and employee-financed contributions and returns from investment on the capital market. On retirement this pension capital is paid out as a lump sum or in installments, or in certain cases can be converted into an annuity. Employees' investment risks are gradually reduced with increasing age (lifecycle concept). The performance of the pension capital is derived from the return on the investments. As required by law, at least the total contributions paid for the employee will be paid out on retirement.

Former employees, including pensioners and employees who have left the plan with vested benefits, have pension commitments from closed pension funds, which are predominantly geared towards providing lifetime annuity payments. These commitments entail the usual longevity and inflation risks, which are regularly monitored and evaluated.

The domestic pension assets of the RENK Group are managed by the MAN Pension Trust e.V. and MAN Pensionsfonds AG. These assets are irrevocably unavailable to the RENK companies and must be used exclusively to fund current pension payments or for employee claims in the event of insolvency. The proper management and use of trust assets is monitored by independent trustees. MAN Pensionsfonds AG is also subject to the supervision of the German Federal Financial Supervisory Authority (BaFin).

The pension assets are invested by professional investment managers according to investment guidelines set by an Investment Committee. The strategic allocation of plan assets is based on asset liability management studies conducted at regular intervals.

(b) Pension plans outside Germany

In Switzerland, the defined benefit pension claims and the actuarial reserves are managed in industry-wide company pension institutions. Employees accrue pension capital with these institutions, which is then converted into a lifelong pension under the conditions prevailing at the time. The pension institutions are managed conservatively based on government regulations. If the claims are no longer covered by capital due to negative market developments, restructuring contributions can be levied from the affiliated employers and their employees.

Obligatory post-employment benefits are paid in France.

(25) Pensions and similar obligations (Continued)

(c) Funding status

The calculation of the present value of defined benefit pension obligations is based on the following assumptions:

in %	Germany		Outside Germany(1)	
	2019	2018	2019	2018
Discount rate as of Dec. 31	0.90	1.70	0.31	0.76
Salary trend	3.70	3.50	1.02	1.02
Pension trend	1.50	1.50	—	—
Fluctuation rate	4.34	4.37	8.07	8.23

(1) Weighted average rates

The biometric data are based on current mortality tables for each specific country. For Germany, the Heubeck 2005 G mortality tables were adjusted in line with empirical data specific to MAN and therefore better reflect mortality than the current RT2018G mortality tables. The BVG 2015 GT mortality tables were used for Switzerland.

Discount rates are based on the yields on corporate bonds with high credit ratings, with a maturity and currency matching the respective obligations. Pension and pay trends either correspond to contractual adjustments or are based on those found in the general regulations applicable. Pay trends comprise expected wage and salary increases that also take into account increases resulting from career development.

The present value of defined benefit obligations developed as follows:

€ thousand	2019	2018
Defined benefit obligation on January 1	165,367	157,740
Current service cost	5,293	5,030
Interest expense	2,404	2,245
Actuarial gains (−)/losses (+) due to changes in demographic assumptions	(1,379)	(369)
Actuarial gains (−)/losses (+) due to changes in financial assumptions	12,692	(1,277)
Actuarial gains (−)/losses (+) due to experience adjustments	2,150	(936)
Employee contributions to funds	1,537	1,342
Pension payments from company assets	(2,274)	(1,409)
Pension payments from fund	(3,722)	(3,798)
Other changes	(1,922)	5,509
Currency differences from plans abroad	1,407	1,290
Defined benefit obligation on December 31	181,553	165,367

The other cash flow resulting from a partial liquidation balance sheet of the Swiss pension institution is reported under “Other changes”.

(25) Pensions and similar obligations (Continued)

Changes in the main actuarial assumptions would have had the following effects on defined benefit obligations:

Defined benefit obligation		Dec. 31, 2019 € thousand	Dec. 31, 2019 %	Dec. 31, 2018 € thousand	Dec. 31, 2018 %
Discount rate	+0.5% points	172,486	(5.3)	157,225	(5.2)
	(0.5)% points	191,790	5.3	174,526	5.3
Salary trend	+0.5% points	(181,909)	0.2	165,740	0.2
	(0.5)% points	(181,221)	(0.2)	165,047	(0.2)
Pension trend	+0.5% points	187,694	3.3	172,369	4.1
	(0.5)% points	177,449	(2.3)	158,965	(4.0)
Longevity	+1 year	186,520	2.7	168,618	1.9

The sensitivity analyses shown each take into account the change in one assumption with the other assumptions unchanged from the original calculation, i.e. possible correlation effects between the individual assumptions are not taken into account.

To analyze the sensitivity of the defined benefit obligation to a change in the assumed life expectancy, the age of beneficiaries was decreased by one year as part of a comparative calculation.

As in the previous year, the weighted average term to maturity (Macaulay duration) of the defined benefit pension obligations is eleven years.

The defined benefit obligation is divided among the members of the plan as follows:

€ thousand	2019	2018
Active members	104,089	91,961
Former members	7,729	7,162
Beneficiaries	69,735	66,244
Defined benefit obligation	181,553	165,367

The maturity profile of the payments for the defined benefit obligation is shown below by breaking down the present value of the obligation by the maturity of the underlying payments:

€ thousand	2019	2018
Payment due		
Within one year	5,997	6,813
Between one and five years	33,273	27,617
More than five years	142,284	130,937
Defined benefit obligation	181,553	165,367

(25) Pensions and similar obligations (Continued)

The development of plan assets is shown by the table below:

€ thousand	2019	2018
Plan assets on January 1	149,346	147,266
Interest income from plan assets—in amount of interest rate	2,217	2,143
Return on plan assets not recognized in interest income	15,484	(4,714)
Employer contributions to funds	3,905	1,064
Employee contributions to funds	693	637
Pension payments from fund	(3,722)	(3,798)
Other changes	(1,916)	5,509
Currency differences from plans abroad	1,335	1,239
Plan assets on December 31	167,342	149,346

The investment of plan assets resulted in income of € 17,701 thousand (previous year: losses of € 2,571 thousand), € 14,442 thousand (previous year: losses of € 2,013 thousand) of which related to Germany and € 3,258 thousand (previous year: losses of € 558 thousand) of which to other countries.

The other cash flow resulting from a partial liquidation balance sheet of the Swiss pension institution is reported under "Other changes".

In the next fiscal year employer contributions to plan assets are expected to amount to € 4,596 thousand (amount stated in previous year: € 4,374 thousand).

The plan assets are invested in the following categories:

	Dec. 31, 2019			Dec. 31, 2018		
€ thousand	Quoted price on an active market	No quoted price on an active market	Total	Quoted price on an active market	No quoted price on an active market	Total
Cash and cash equivalents	6,857	—	6,857	6,650	—	6,650
Equity instruments	8,009	—	8,009	7,641	—	7,641
Debt instruments	12,164	—	12,164	12,307	—	12,307
Direct investments in real estate	—	10,307	10,307	—	8,598	8,598
Equity funds	33,744	—	33,744	27,045	—	27,045
Pension funds	41,565	—	41,565	41,349	—	41,349
Real estate funds	6,641	—	6,641	5,685	—	5,685
Other funds	—	7,724	7,724	—	1,332	1,332
Other	4,523	35,809	40,332	4,006	34,732	38,738
Plan assets at fair value	113,501	53,841	167,342	104,683	44,663	149,346

The plan assets are 27% (previous year: 30%) invested in domestic assets, 50% (previous year: 50%) in other European assets and 23% (previous year: 20%) in assets from other regions.

(d) Expenses for pension obligations

The following amounts were recognized in the income statement:

€ thousand	2019	2018
Current service cost	5,293	5,030
Net interest expense (+)/income (−)	187	103
	5,480	5,133

(26) Other non-current and current provisions

€ thousand	Warranties	Outstanding costs	Obligations to employees	Miscellaneous other provisions	Total
As of Jan. 1, 2019	28,545	6,141	9,683	7,708	52,077
Utilization	(1,784)	(1,987)	(2,300)	(1,845)	(7,916)
Addition	11,118	2,119	2,562	2,344	18,143
Addition to basis of consolidation	116	—	—	49	165
Reversal	(4,687)	(1,442)	(84)	(1,265)	(7,478)
Interest cost	—	—	63	—	63
Currency translation differences	40	—	6	117	163
As of Dec. 31, 2019	33,348	4,831	9,930	7,108	55,217

(1) Including currency translation differences

Other provisions break down according to maturity as follows:

€ thousand	Dec. 31, 2019 Non-current	Dec. 31, 2019 Current	Dec. 31, 2018 Non-current	Dec. 31, 2018 Current
Warranties	4,244	29,104	2,652	25,893
Outstanding costs	—	4,831	—	6,141
Obligations to employees	6,097	3,833	5,015	4,668
Miscellaneous other provisions	921	6,186	888	6,820
	11,262	43,954	8,555	43,522

Provisions for warranties relate to legal and contractual warranty obligations and to goodwill towards customers. The timing of the utilization of provisions for warranties is dependent on the occurrence of the warranty claim and can extend over the entire warranty and goodwill period. Arbitration proceedings initiated by a customer in the Special Gear Units business were a major factor in the additions to this provision. Provisions for outstanding costs comprise risks from customer contracts recognized using the PoC method and outstanding services for invoiced customer contracts.

Non-current obligations to employees relate in particular to partial retirement and anniversaries. Current obligations to employees primarily relate to planned expenditure for staff restructuring measures in the Standard Gear Units segment.

Miscellaneous other provisions essentially relate to provisions for anticipated losses from onerous contracts and penalties.

(27) Financial liabilities

€ thousand	Dec. 31, 2019
Lease liabilities	6,345
of which long-term	5,061
of which short-term	1,284
Loan liabilities long-term	120
Financial liabilities	6,465

For information on lease liabilities, please see “New and revised accounting pronouncements and methods”.

(28) Trade payables

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Trade payables	41,235	39,407

(28) Trade payables (Continued)

There are trade payables to affiliated companies of € 1,068 thousand (previous year: € 1,782 thousand).

(29) Contract liabilities

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Contract liabilities, non-current	73,450	81,993
Contract liabilities, current	74,950	66,163
Liabilities from customer prepayment receivables	19,864	14,229
Contract liabilities	168,264	162,385

Contract liabilities to affiliated companies amounted to € 2,355 thousand (previous year: € 1,949 thousand). The contract liabilities of € 80,392 thousand reported as of December 31, 2018 were recognized as sales revenue in fiscal year 2019.

Contract liabilities developed as follows in fiscal years 2019 and 2018:

€ thousand	2019	2018
As of Jan. 1	162,385	150,894
Additions and disposals	(803)	11,303
Addition to basis of consolidation	6,608	—
Currency changes	74	188
As of Dec. 31	168,264	162,385

(30) Other non-current and current liabilities

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Employee-related liabilities	27,152	27,809
Derivative financial instruments	1,860	1,320
Social security liabilities	1,225	1,107
Liabilities from other taxes	830	259
Deferred income	28	33
Miscellaneous other liabilities	1,507	948
	32,602	31,476

Employee-related liabilities mainly include wages and salaries not yet paid at the end of the reporting period, deferred vacation not yet taken and annual bonuses.

Other liabilities break down as follows according to maturity:

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Other non-current liabilities	1,063	171
Other current liabilities	31,539	31,305
	32,602	31,476

Other Disclosures

(31) Contingent liabilities

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Repayment obligations	27	—
	27	—

(31) Contingent liabilities (Continued)

RENK AG has issued MAN SE a payment guarantee for the liabilities of RENK subsidiaries from their business relationship with MAN SE that is unlikely to be utilized in light of the comfortable liquidity position.

Contingent liabilities are usually measured in the amount of the maximum claims on RENK. Any rights of recourse are not deducted.

(32) Other financial obligations

Other financial obligations in the current fiscal year comprise current rental agreements and leases that are not capitalized on account of the exemption under IFSR 16. These primarily relate to renting work clothes and office printers. Other financial obligations in fiscal year 2018 comprised all rental agreements and leases, such as building rentals and vehicle leases.

For information on the change to presentation, please see “New and revised accounting pronouncements and methods”.

The maturities of future rental and lease payments until the end of their minimum term are as follows:

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Due within one year	363	1,084
Due between one and five years	323	3,228
Due after more than five years	—	1,053
	686	5,365

The capitalized leases create potential future payments of € 3,861 thousand resulting from extension options not yet taken into account.

The purchase commitment for the acquisition of intangible assets and property, plant and equipment was € 11,675 thousand as of the end of the reporting period (previous year: € 11,742 thousand). The commitment value for the acquisition of inventories and services was € 116,325 thousand (previous year: € 115,911 thousand). The financial obligations to third parties under investment projects initiated were within normal limits.

(33) Additional information on financial instruments

This section contains additional information on the significance of financial instruments and on individual items of the statement of financial position and the income statement that relate to financial instruments.

The following table shows the reconciliation of statement of financial position items to the classes of financial instruments as of December 31, 2019, broken down by carrying amounts and fair values of

(33) Additional information on financial instruments (Continued)

financial instruments, and the allocation of statement of financial position items to the measurement categories.

€ thousand	At fair value: In other comprehensive income (1) Carrying amount	At fair value: In profit or loss (2) Carrying amount	At amortized cost (3) Carrying amount	At amortized cost (3) Fair value	Hedging derivative financial instruments Carrying amount	Not assigned to an IFRS 9 measurement category Carrying amount	Statement of financial position item as of Dec. 31, 2019
Non-current assets							
Other and financial investments	2,975	—	—	—	—	12,395	15,370
Other financial assets	—	5	855	855	—	—	860
Current assets							
Trade receivables	—	—	135,197	135,197	—	—	135,197
Contract assets	—	—	—	—	—	4,308	4,308
Other financial assets	—	—	22,997	22,997	—	—	22,997
Cash and cash equivalents	—	—	102,476	102,476	—	—	102,476
Non-current liabilities							
Non-current financial liabilities	—	—	5,181	5,181	—	—	5,181
Other financial liabilities	—	1,038	—	—	—	—	1,038
Current liabilities							
Current financial liabilities	—	—	1,284	1,284	—	—	1,284
Trade payables	—	—	41,235	41,235	—	—	41,235
Other financial liabilities	—	830	1,277	1,277	—	—	2,106

(1) Corresponds to the measurement category "Financial assets measured at fair value through other comprehensive income" under IFRS 9.

(2) Corresponds to the measurement category "Financial instruments measured at fair value through profit or loss" under IFRS 9.

(3) Corresponds to the measurement category "Financial instruments measured at amortized cost" under IFRS 9.

(33) Additional information on financial instruments (Continued)

The following table shows the carrying amounts, the measurement categories by class, the fair values and the fair value hierarchy under IFRS 9 as of December 31, 2018:

€ thousand	At fair value: In other comprehensive income (1)	At fair value: In profit or loss (2)	At amortized cost (3)		Hedging derivative financial instruments	Not assigned to an IFRS 9 measurement category	Statement of financial position item as of Dec. 31, 2018
	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Non-current assets							
Other and financial investments	2,975	—	—	—	—	8,307	11,282
Other financial assets	—	3	—	—	—	—	3
Current assets							
Trade receivables	—	—	104,854	104,854	—	—	104,854
Contract assets	—	—	—	—	—	5,718	5,718
Other financial assets	—	—	15,800	15,800	—	—	15,800
Cash and cash equivalents	—	—	185,700	185,700	—	—	185,700
Non-current liabilities							
Other financial liabilities	—	120	—	—	—	—	120
Current liabilities							
Trade payables	—	—	39,407	39,407	—	—	39,407
Other financial liabilities	—	1,200	929	929	—	—	2,129

(1) Corresponds to the measurement category "Financial assets measured at fair value through other comprehensive income" under IFRS 9.

(2) Corresponds to the measurement category "Financial instruments measured at fair value through profit or loss" under IFRS 9.

(3) Corresponds to the measurement category "Financial instruments measured at amortized cost" under IFRS 9.

The cumulative carrying amounts of financial instruments as of December 31, 2019, broken down by IFRS 9 measurement category, are as follows:

€ thousand Measurement category in accordance with IFRS 9	Dec. 31, 2019 Assets	Dec. 31, 2019 Equity and liabilities	Dec. 31, 2018 Assets	Dec. 31, 2018 Equity and liabilities
Financial assets at fair value through other comprehensive income	2,975	—	2,975	—
Financial instruments at fair value through profit or loss	5	1,867	3	1,320
Financial instruments at amortized cost	261,525	47,693	306,353	40,336

The fair values were calculated based on the market conditions at the end of the reporting period and the measurement methods described below. They are the prices at which one party would assume the rights or obligations from these financial instruments from an independent third party. There were no significant changes since the previous year in the measurement methods applied.

Cash and cash equivalents, trade receivables, other financial assets, financial liabilities, trade payables and miscellaneous financial liabilities predominantly have a short remaining term. Their carrying amounts as of the end of the reporting period therefore approximately match their fair value.

Financial assets at fair value through other comprehensive income include unchanged equity shares of € 2,975 thousand (previous year: € 2,975 thousand) for which the RENK Group exercises the option for measurement at fair value through other comprehensive income.

(33) Additional information on financial instruments (Continued)

There were no changes recognized in other comprehensive income in the reporting period (previous year: € 552 thousand). In particular, the respective corporate planning and the company-specific discount rates are used to measure the equity instruments at fair value (level 3). Of the inputs used to calculate the fair value of the equity investments, only the cost of capital before taxes has changed compared to December 31, 2018. This was 7.1% as of December 31, 2019 (December 31, 2018: 7.7%). A change in the significant, unobservable inputs has no significant effect on equity or profit after tax, either in isolation or combination.

Total dividends of € 699 thousand were received in the reporting period (previous year: € 1,979 thousand).

The future cash flows for derivative financial instruments without option components, particularly currency forwards, are calculated using forward curves. The fair value of these instruments is the total of the discounted cash flows. The options on currency pairs are measured on the basis of standard option pricing models, i.e. generalized Black-Scholes formulas.

Financial assets and liabilities measured at fair value are level 2 of the fair value hierarchy with the exception of other equity investments, which are level 3.

With the exception of cash and cash equivalents, which are allocated to level 1 of the fair value hierarchy, all other financial assets and liabilities at amortized cost are allocated to level 2 of the fair value hierarchy:

Fair value hierarchy:

The classification and reporting of the fair values of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and breaks down as follows:

Level 1:

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2:

Inputs other than quoted prices included within level 1 that are observable for an asset or liability either directly (as a price) or indirectly (derived from prices). The fair values of level 2 financial instruments are calculated based on the conditions at the end of the reporting period, such as interest rates or exchange rates, and using recognized models, such as discounted cash flow models or option pricing models.

Level 3:

Input data used for the measurement of the asset or liability not based on observable market data (unobservable inputs). For level 3 receivables the fair value is determined taking into account individual loss expectations that are essentially based on assumptions by the company regarding the counterparty's credit.

In the fiscal years 2019 and 2018 there were no reclassifications between levels 1 and 2 and no reclassifications into or out of level 3.

The interest income and expenses generated in connection with financial assets and financial liabilities are as follows:

€ thousand	2019	2018
Interest income	455	129
Interest expense	(437)	(228)

Interest income on impaired financial assets is of secondary importance due to the usually short time before the expected payment.

The following tables contain information on possible offsetting effects on the consolidated statement of financial position and the financial impact of offsetting in the case of instruments which are subject to a legally enforceable master offsetting agreement or similar agreement.

(33) Additional information on financial instruments (Continued)

The "Financial instruments" column shows the amounts that are the subject of a master offsetting agreement, but that cannot be offset because the conditions have not been met. Offsetting can only occur given certain future events, such as the insolvency of one of the parties. The columns "Collateral received" and "Collateral provided" show the amounts of cash collateral or collateral in the form of financial instruments received/pledged in relation to the total amount of assets and liabilities.

Financial assets

€ thousand	Carrying amount in statement of financial position: Net amount of financial assets	Financial instruments	Amounts not offset in the statement of financial position: Collateral received	Net amount on Dec. 31, 2019
Derivative financial instruments	106	(106)	—	—

€ thousand	Carrying amount in statement of financial position: Net amount of financial assets	Financial instruments	Amounts not offset in the statement of financial position: Collateral received	Net amount on Dec. 31, 2018
Derivative financial instruments	3	(3)	—	—

Financial liabilities

€ thousand	Carrying amount in statement of financial position: Net amount of financial liabilities	Financial instruments	Amounts not offset in the statement of financial position: Collateral provided	Net amount on Dec. 31, 2019
Derivative financial instruments	1,860	(106)	—	1,754

€ thousand	Carrying amount in statement of financial position: Net amount of financial liabilities	Financial instruments	Amounts not offset in the statement of financial position: Collateral provided	Net amount on Dec. 31, 2018
Derivative financial instruments	1,320	(3)	—	1,317

The net gains and losses from financial instruments are shown in the table below:

€ thousand	2019	2018
Financial assets at amortized cost	603	1,359
Assets at fair value through other comprehensive income	—	(552)
Financial liabilities at amortized cost	(2,271)	(1,077)
Assets and liabilities at fair value through profit or loss	1,716	1,210
Net gain (+)/net loss (−)	48	940

Net gains and losses from financial assets measured at amortized cost essentially contain changes in valuation allowances and currency translation and the reversal of impairment losses.

(33) Additional information on financial instruments (Continued)

The net gains or losses from assets at fair value through other comprehensive income comprise the net income from other and financial investments.

The net gains or losses from financial assets and liabilities measured at fair value through profit or loss include changes in the fair value of derivative financial instruments not used in hedge accounting.

The net gains or losses from financial liabilities at cost mainly result from currency translation.

(34) Derivative financial instruments and hedging strategies

On account of its business activities and international orientation, the assets, liabilities and planned transactions of the RENK Group are subject to market, credit and liquidity risks. There is a Group-wide risk management system to identify, quantify and mitigate these risks. RENK was integrated into the MAN SE risk management system in fiscal year 2019 and used the instruments thus available.

(a) Risk management of the MAN Group

The companies hedge their currency risks at market conditions via the central Group Treasury of MAN SE. This uses primary and predominantly derivative financial instruments. In countries where exchange control regulations or regulatory provisions do not allow MAN SE to hedge its risks, foreign currency interest and money market transactions are entered into by MAN SE in the name and on behalf of the respective Group company. Derivative financial instruments are recognized on the trade date.

The risk positions of the Group are hedged externally with banks within predetermined risk limits by Group Treasury. Hedging is carried out with due regard for banks' risk management requirements and is subject to stringent monitoring, which is guaranteed in particular by the strict separation of functions in trading, settlement and control.

Liquidity management and investment in the MAN Group is centralized under Groupwide cash management. When investing cash and cash equivalents, financial institutions and investment vehicles are carefully selected and diversified with a limit system. The limits and their utilization are reviewed regularly. The majority of cash and cash equivalents are held in cash deposits at banks with an investment grade rating.

The Executive Board and the Supervisory Board of MAN SE are regularly informed about the market price risks of the MAN Group. Compliance with policies is monitored by the internal audit function.

(b) Currency risk at RENK

For each RENK company there is a currency risk if it performs transactions and incurs future cash flows in a currency other than its functional currency. To reduce the effect of exchange rate fluctuations, the RENK companies continuously quantify the exchange risk and hedge all material risks by using currency forwards and options.

In the RENK Group, all firm customer contracts, its own orders, receivables and liabilities in foreign currency are hedged. Currencies with a high correlation to the euro, such as the Danish krone, and equity investments or equity-type loans in foreign currencies, if at all relevant, are only hedged in individual cases. In addition, there is hedging for planned sales revenue in foreign currency from series production business within defined hedging ranges and, occasionally, for customer projects whose materialization is highly probable. The Executive Board of RENK is regularly informed of the currency positions of the RENK Group.

As of the end of the reporting period, RENK's foreign exchange exposure is primarily from transactions in USD, CHF, JPY, CNY and GBP. Thanks to the currency forwards and options in place for these currencies, RENK was not exposed to any significant risks.

(34) Derivative financial instruments and hedging strategies (Continued)

In a sensitivity analysis, the primary and derivative financial instruments in place at the end of the reporting period were measured in a hypothetical scenario. The effects of a 10% appreciation/depreciation of a currency per currency pair as of December 31, 2019 and December 31, 2018 are as follows:

	Dec. 31, 2019			
€ thousand	**Equity**		**Net profit/loss for the period**	
Currency pair	+10%	(10)%	+10%	(10)%
Euro/US dollar	—	—	5,258	(5,258)
Euro/Swiss franc	—	—	(1,153)	1,153
Euro/Chinese yuan	—	—	129	(129)
Euro/Pound sterling	—	—	(27)	27
Euro/Japanese yen	—	—	203	203
Euro/Norwegian krone	—	—	1	(1)
Swiss franc/US dollar	—	—	(7)	(7)

	Dec. 31, 2018			
€ thousand	**Equity**		**Net profit/loss for the period**	
Currency pair	+10%	(10)%	+10%	(10)%
Euro/US dollar	—	—	5,733	(5,733)
Euro/Swiss franc	—	—	(1,308)	1,308
Euro/Chinese yuan	—	—	179	(179)
Euro/Pound sterling	—	—	(92)	92
Euro/Japanese yen	—	—	118	(118)
Euro/Norwegian krone	—	—	+0	(0)
Swiss franc/US dollar	—	—	(23)	23

(c) Commodity price risk at RENK

RENK is exposed to the risk of changes in commodity prices and their availability, i.e. commodity procurement risk, both in connection with the procurement of the means of production but also in the procurement of energy (electricity, gas, oil, etc.).

As far as possible, this risk is countered by fixed price agreements with suppliers. Owing to the variety of commodities used and the resulting quantities, each comparatively small, the hedging of prices using corresponding instruments on the financial markets is not a substantial alternative for RENK. RENK had no commodity derivatives in fiscal year 2019.

There were no significant risk clusters in the past fiscal year.

(d) Credit risk at RENK

On account of its operating activities, RENK is exposed to credit risk, i.e. the risk that a counterparty does not meet its contractual obligations and thus causes a financial loss. Credit risks include direct counterparty risk and the risk of a deterioration in credit quality.

The maximum credit risk is reflected by the carrying amounts of financial assets reported in the statement of financial position. Credit risks are minimized, and risk provisions calculated, mainly with the following measures:

Sovereign and counterparty risks arising from business operations are continuously assessed locally. Security levels and forms are determined based on this. Outstanding debts are also continuously monitored locally. If default risks arise, allowances are recognized. Credit risk is limited by various, sometimes country-specific, forms of security. Letters of credit, credit insurance, guarantees, warranties, retention of title and customer prepayments are used. In project business, the risk of default is minimized by prepayments and by obtaining collateral.

(34) Derivative financial instruments and hedging strategies (Continued)

RENK recognizes appropriate loss allowances for expected credit losses in connection with its business operations. It also performs an ongoing assessment of all financial assets measured at amortized cost. Allowances on trade receivables and contract assets are calculated using a provision matrix with provision rates graded according to the aging analysis of receivables. Specific valuation allowances are recognized if there is objective evidence of credit losses or other contractual anomalies. Other financial receivables and cash and cash equivalents are checked for cash shortfalls using a general three-stage approach.

There were no significant clusters in terms of credit risk in the RENK Group in the past fiscal year.

The credit risks of the financial assets can be grouped into the following risk classes:

	Risk class 1		Risk class 2		Risk class 3	
	Receivables without evidence of credit impairment		Credit impaired receivables		Defaulted receivables	
€ thousand	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Stage 1: 12-month expected credit loss	126,812	200,281	—	—	—	—
Stage 2: Lifetime expected credit losses (not impaired)	—	—	—	—	—	—
Stage 3: Lifetime expected credit losses (impaired)	—	—	—	—	—	—
Purchased or originated credit-impaired financial instruments	—	—	—	—	—	—
Simplified approach: Lifetime expected credit losses	127,896	106,063	5,939	5,146	8,076	4,192
	254,708	306,343	5,939	5,146	8,076	4,192

Level 1 essentially comprises the receivables from the central financial management of the MAN Group and other cash and cash equivalents. As these are due on demand, loss allowances are not recognized on these financial assets.

Loss allowances are recognized based on maturity profiles and provision rates for expected credit losses for receivables that are not impaired. Specific valuation allowances are recognized if there is objective evidence of impairment on the receivables in question.

(e) Liquidity risk at RENK

Liquidity risk describes the risk that the RENK Group is unable to adequately meet its payment obligations or can raise liquidity only at a higher price.

RENK was included in the liquidity management system of the MAN Group in the year under review on the basis of a service agreement. To limit this risk, inflows and outflows of cash and maturities are monitored and managed at all times. Financing requirements are covered by both operating cash flow and external financing. There were therefore no significant risk clusters in the past fiscal year.

Cash for the operating units is essentially managed centrally as part of cash pooling. The cash and cash equivalents of the Group companies and MAN SE are merged daily. Thus, liquidity surpluses and requirements can be managed as necessary. For external financing, the opportunities on the financial markets are tracked continuously to ensure financial flexibility and to limit refinancing risks.

In certain countries (such as Brazil and China), the Group can only dispose over local cash and cash equivalents internationally in compliance with the applicable foreign exchange restrictions. Other than this there are no significant restrictions.

Cash and cash equivalents are essentially used to finance working capital and short-term obligations. Management is informed regularly about cash inflows and outflows.

The cash flows at RENK are dominated by the maturities arising from business operations. These are predominantly of a short-term nature. Cash clearing takes place through the inclusion in the central financial management of the MAN Group.

(34) Derivative financial instruments and hedging strategies (Continued)

The following table shows how the cash flows of liabilities, derivative financial instruments and contingent liabilities affect RENK's liquidity situation:

Maturities [1]

€ thousand	Dec. 31, 2019 2020	Dec. 31, 2019 2021 to 2024	Dec. 31, 2019 > 2024	Dec. 31, 2018 2019	Dec. 31, 2018 2020 to 2023	Dec. 31, 2018 > 2023
Cash outflows from primary financial liabilities	44,626	4,985	1,233	41,536	112	8
of which trade payables	41,235	—	—	39,407	—	—
of which other financial liabilities	2,106	964	74	2,129	112	8
of which from loan liabilities	—	120	—	—	—	—
of which from lease liabilities [2]	1,284	3,901	1,159	—	—	—
Cash outflows from liability derivative financial instruments and gross fulfillment [3]	(19,599)	(17,671)	(1,258)	(34,668)	(21,398)	(1,027)
Associated cash inflows	18,561	15,956	1,042	32,939	19,733	861
Potential cash outflows from contingent liabilities [4]	27	—	—	—	—	—
of which for repayment obligations	27	—	—	—	—	—

(1) The procedure for calculating the amounts was as follows:

- If the maturity date is not fixed, the liability is assigned to the earliest maturity date.
- Interest payments for floating rate interest are taken into account in line with the conditions as of the end of the reporting period.
- It is assumed that the cash outflows will not occur earlier than shown.

(2) New disclosure under IFRS 16. Please see "New and revised accounting pronouncements and methods".

(3) In accordance with the requirements of IFRS 7, only undiscounted cash flows of the contractual interest and principal payments are shown.

(4) There are guarantee obligations for guarantees under trade obligations. The maximum possible cash outflows are shown. The amounts are assumed to be due in the first year.

(35) Remuneration of the Executive Board

The remuneration of the members of the Executive Board of RENK Aktiengesellschaft consists of fixed remuneration and variable remuneration (see remuneration report). Furthermore, members of the Executive Board receive a pension commitment.

Total Executive Board remuneration in accordance with section 314(1) no. 6a HGB and IFRS amounts to € 1,983 thousand in the fiscal year (previous year: € 1,840 thousand).

(35) Remuneration of the Executive Board (Continued)

The table below shows the individual remuneration for the active members of the Executive Board for 2019 (2018).

€ thousand	Florian Hofbauer 2019	Florian Hofbauer 2018	Christian Hammel 2019	Christian Hammel 2018	Total 2019	Total 2018
Fixed remuneration[1]	304	303	293	294	597	597
Variable remuneration[2]	594	524	528	466	1,122	989
Pension cost	140	134	124	119	264	253
Total	1,038	961	945	879	1,983	1,840
Present value of pension obligation	2,715	2,406	584	424	3,299	2,830

(1) Non-performance-based remuneration component including additional benefits

(2) Performance-based remuneration component:

2019—According to figures currently available

2018—According to final figures

Short-term employee benefits comprise fixed and variable remuneration. The pension cost and the present value of the pension obligations are assigned to the accumulated post-employment benefit obligation. There are no other long-term employee benefits, termination benefits or share-based payments.

There was no subsequent adjustment of the bonus in variable remuneration in 2019 or in the previous year.

The reported pension cost exclusively comprises the service cost incurred in the respective fiscal year.

The pension benefits for former members of the Executive Board of the company and their surviving dependents amounted to € 264 thousand (€ 264 thousand). Total provisions of € 3,630 thousand were recognized for pension obligations to former members of the Executive Board and their surviving dependents (previous year: € 3,520 thousand).

Information on the members of the Executive Board, including their memberships of other statutory supervisory boards and similar executive bodies, can be found in the "Members of the Supervisory Board and the Executive Board and their mandates" section.

(36) Supervisory Board

The remuneration of the members of the Supervisory Board is regulated in the Articles of Association. They provide for fixed remuneration of € 10,000. The chair of the Supervisory Board receives double the fixed remuneration, the deputy chair and the chair of a committee one and a half times this amount, a committee member 1.25 times the amount. There is no separate remuneration for the chair or members of the Mediation Committee. If members perform several functions, remuneration is based on the function with the highest remuneration entitlement.

Any expenses arising are also reimbursed.

(36) Supervisory Board (Continued)

Remuneration of the Supervisory Board in €

Name	Membership period	Total
Dr. Ingrun-Ulla Bartölke	Full year	—
Roberto Armellini*	Full year	15,000
Michael Behrendt	Full year	15,000
Hardy Brennecke	Full year	—
Joachim Drees	Full year	12,500
Lothar Evers*	Full year	10,000
Christiane Hesse	Full year	—
Thorsten Jablonski	Full year	—
Adela Lieb	Full year	10,000
Klaus Refle*	Full year	12,500
Karina Schnur*	Full year	12,500
Mario Sommer*	Full year	10,000
Total 2019		97,500
Total 2018		95,217

* These employee representatives have declared that they pay their Supervisory Board remuneration to the Hans Böckler Foundation in accordance with German Trade Union Confederation policy.

The employee representatives on the Supervisory Board also employed at RENK additionally receive their standard pay as employees. Information on the members of the Supervisory Board, including their memberships of other statutory supervisory boards and similar executive bodies, can be found in the corresponding section.

(37) German Corporate Governance Code

In December 2019, the Executive Board and the Supervisory Board issued the Declaration of Conformity reproduced below in accordance with section 161 of the German Stock Corporation Act (AktG):

"The Executive Board and the Supervisory Board of RENK AG declare that the recommendations of the Government Commission on the German Corporate Governance Code as amended on February 7, 2017 promulgated by the Federal Ministry of Justice on April 24, 2017 in the official section of the Bundesanzeiger (the Federal Gazette) were complied with in the period since the last Declaration of Conformity was issued in December 2018 and are still complied with, with the exception of items 4.2.3(2) sentence 3 (forward-looking variable remuneration), 5.4.1(6) to (8) (disclosure of proposals of candidates for election) and 7.1.1 sentence 2 (intra-year financial information).

- The recommendation of item 4.2.3(2) sentence 3 is not complied with in that the assessment base for variable remuneration components is not essentially forward-looking. The current remuneration system is based on the recommendation found in the version of the Code dated May 5, 2015. The Supervisory Board considers a long-term assessment basis that is essentially forward-looking to be appropriate and is preparing an adjustment of the remuneration system. However, this is to be based on the recommendations included in the version of the Code issued on May 9, 2019 but which is not yet effective.

- Regarding the recommendation in items 5.4.1(6) to (8) of the Code on the disclosure of certain circumstances of nominations by the Supervisory Board to the Annual General Meeting, the requirements of the Code are unspecific and unclear in their application. A departure from the Code as regards this matter has thus been declared as a precaution.

  Regardless of this, the Supervisory Board will endeavor to comply with the requirements of items 5.4.1(6) to (8) of the Code.

- The recommendation of item 7.1.1 sentence 2 (intra-year financial information) is not complied with as the Executive Board and Supervisory Board of RENK AG consider an obligation to release

(37) German Corporate Governance Code (Continued)

quarterly publications in addition to the statutory requirement of the Wertpapierhandelsgesetz (WpHG—German Securities Trading Act) to be unnecessary.”

Augsburg, December 2019

For the Supervisory Board Dr. Ingrun-Ulla Bartölke	For the Executive Board Florian Hofbauer

(38) Segment reporting

The activities of the RENK Group are still divided into the reportable segments Special Gear Units, Vehicle Transmissions, Standard Gear Units and Slide Bearings. The management of each of these segments reports directly to the Executive Board of RENK AG in its function as the responsible chief operating decision maker.

The Special Gear Units segment comprises large-gear production at RENK AG’s Augsburg site and RENK-MAAG GmbH, Winterthur, Switzerland. The product range extends from stationary gear units for a variety of industrial applications, to turbo gear units, to complex gear units for fast craft and naval applications.

The Vehicle Transmissions segment is a leading manufacturer of fully automatic transmissions for medium-weight and heavy tracked vehicles, and also offers a broad range of powerful test rigs for a variety of industries. It comprises the corresponding activities at RENK AG’s Augsburg site, the French subsidiary RENK France S.A.S., Saint-Ouen-l’Aumône, France, RENK Test System GmbH (RTS) in Augsburg and its US sales company RENK Systems Corporation, Camby (IN), USA. The Horstman Group joined in 2019 with the companies Horstman Holdings Limited, Bath, UK, Horstman Defence Systems Limited, Bath, UK and Horstman Inc., Sterling Heights (MI), USA.

The Standard Gear Units segment includes large-gear production at RENK AG’s Rheine site. It specializes in marine gear units for merchant shipping, LNG/LPG tankers, special ships and offshore wind turbine gear units. It also manufactures gear units for turbine plants and couplings for industrial applications.

The Slide Bearings segment at RENK AG’s Hanover site and the American sales company RENK Corporation, Duncan (SC), USA, primarily supply hydrodynamic, lubricated slide bearings. These are used for electric motors, generators, pumps, blowers, water turbines, conveyors and marine applications.

The financial performance indicators for segments are sales revenue, operating profit and operating return on sales. The operating return on sales is the ratio of the operating profit generated to sales revenue. The non-financial performance indicator is order intake as measured by reference to binding incoming orders. Segment information is determined applying the same accounting policies as those used in the preparation of the consolidated financial statements. Transactions between segments are performed on an arm’s length basis.

(38) Segment reporting (Continued)

Segment information by segment

€ thousand	Special Gear Units		Vehicle Transmissions		Standard Gear Units		Slide Bearings		Consolidation		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Order intake from third parties	172,848	205,886	215,240	168,007	66,609	71,050	85,000	83,992	—	—	539,697	528,935
Order intake from other segments	2,939	1,714	1,561	2,960	3,513	4,688	47	838	(8,060)	(10,201)	—	—
Total order intake	175,787	207,601	216,801	170,968	70,122	75,738	85,047	84,830	(8,060)	(10,201)	539,697	528,935
Sales revenue with third parties	178,927	168,814	228,447	174,422	67,916	73,838	83,319	85,144	—	—	558,609	502,218
Sales revenue with other segments	2,501	2,025	1,561	2,965	4,594	5,047	1,471	1,481	(10,127)	(11,518)	—	—
Total sales revenue	181,428	170,839	230,008	177,388	72,510	78,885	84,790	86,625	(10,127)	(11,518)	558,609	502,218
Order backlog Dec. 31	269,451	276,068	473,979	419,481	54,545	57,893	31,267	30,973	(8,463)	(10,531)	820,779	773,883
Operating profit	6,207	5,234	43,543	37,352	1,038	6,459	9,607	11,170	28	(2)	60,423	60,213
Investitions[1]	9,930	14,067	15,709	14,407	5,948	5,410	2,947	1,477	—	—	34,534	35,361
Depreciations[2]	8,990	7,266	8,708	5,890	3,464	3,448	2,317	2,489	(81)	(81)	23,398	19,012
Operating return on sales	3.4%	3.1%	18.9%	21.1%	1.4%	8.2%	11.3%	12.9%	—	—	10.8%	12.0%

(1) 2019: Including additions right of use assets form IFRS 16.

(2) Depreciation and amortization did not include impairment losses for either fiscal year 2019 or the previous year.

(38) Segment reporting (Continued)

Segment information by region

€ thousand	Germany	Rest of Europe	Other regions	Total
2019				
Sales revenue	160,670	186,637	211,301	558,609
Payments to acquire property, plant and equipment and intangible assets	30,830	3,667	37	34,534
2018				
Sales revenue	161,515	180,267	160,436	502,218
Payments to acquire property, plant and equipment and intangible assets	29,911	5,350	100	35,361

(39) List of shareholdings of RENK AG as of December 31, 2019

Name and registered office of the company	Share of capital in %	Local currency (LC)	Exchange rate (EUR/LC)	Equity (1,000 LC)	Result (1,000 LC)
RENK France S.A.S., Saint-Ouen-l'Aumône, France	100	EUR	1	23,205	2,013
RENK Corporation, Duncan, South Carolina, USA	100	USD	1.1228	13,851	1,775
RENK Test System GmbH, Augsburg	100	EUR	1	12,485	(489)
RENK Systems Corporation, Camby, Indiana, USA	100	USD	1.1228	3,683	1,542
RENK Transmisyon Sanayi A.S., Istanbul, Turkey(1)	55	TRY	6.0561	9,020	2,480
RENK UAE LLC, Abu Dhabi, United Arab Emirates(1)	49	AED	4.2067	16,142	680
COFICAL RENK MANCAIS DO BRASIL LTDA, Guaramirim, Brazil(1)	98	BRL	4.4449	19,919	2,812
RENK-MAAG GmbH, Winterthur, Switzerland	100	CHF	1.0855	19,369	2,753
RENK Shanghai Service and Commercial Co., Ltd. Shanghai, China(1)	100	CNY	7.8773	5,722	1,936
RENK (UK) Ltd., London, UK (inactive)	100	GBP	n/a	n/a	n/a
Renk Gears Private Ltd., Bangalore, India(2)	100	INR	77.6580	65,776	(21,975)
Renk Korea Co., Ltd., Busan, South Korea(1)	100	KRW	1,276.9000	538,314	(219,140)
Schelde Gears B.V., Vlissingen, Netherlands(1)	100	EUR	1	1,938	577
Horstman Defence Systems Ltd., Bath, UK(3)	100	GBP	0.8500	14,436	3,359
Horstman Holdings Ltd., Bath, UK(3)	100	GBP	0.8500	10,386	(17)
Horstman, Inc., Sterling Heights, Michigan, USA(3)	100	USD	1.1228	(2,473)	(566)
Horstman Systems Inc., Woodbridge, Ontario, Canada(4)	100	CAD	1.5131	(3,771)	(265)
RENK Holding Canada Inc., Toronto, Ontario, Canada(4)	100	CAD	1.4668	3,000	—
Modest Tree Media Inc., Halifax, Nova Scotia, Canada(5)	17.54	CAD	1.4668	286	58

(1) As of: December 31, 2018

(2) As of: March 31, 2019 due to the different fiscal year

(3) Short fiscal year (April 1—December 31, 2019)

(4) Equity is recognized for the time of acquisition on account of the new establishment/acquisition

(5) Acquisition as of August 23, 2019. Equity in accordance with the last available financial statements as of June 30, 2019

(40) Equity investments in RENK AG

Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH), Wolfsburg (a wholly-owned subsidiary of Volkswagen Aktiengesellschaft, Wolfsburg), holds 76% of the voting rights (equal to 5,320,000 voting rights) in RENK AG.

(40) Equity investments in RENK AG (Continued)

All the above 5,320,000 voting rights are attributed to Volkswagen Aktiengesellschaft, Porsche Automobil Holding SE and their controlling shareholders in accordance with section 34(1) sentence 1 no. 1 WpHG through Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH).

RENK AG was not advised of, nor is it aware of, any other direct or indirect shareholdings in the capital of the company exceeding 10% of the voting rights or the relevant reporting thresholds of the German Securities Trading Act.

(41) Related party disclosures

Related parties as defined by IAS 24 are natural persons and companies that can be influenced by RENK AG, that can significantly influence RENK AG or that are influenced by another related party of RENK AG.

Given its shareholding of 76% in RENK AG, Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH) is its parent company and therefore a related party of RENK. This also applies to the subsidiaries of Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH) and the related parties of Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH) itself. In particular, these include Traton SE, Volkswagen Aktiengesellschaft and Porsche Automobil Holding SE with all their affiliated companies.

Exchanges of goods and services between RENK and its related parties are conducted as at arm's length.

Essentially the following types of transactions are performed with subsidiaries of the Volkswagen Vermögensverwaltungs Group:

- Deliveries of goods to MAN Energy Solutions companies, in particular gear units and bearings for ships and turbines, plus test rigs and related services.
- Sourcing from MAN Energy Solutions companies, mainly primary materials for gear unit production such as cast components and services.

The exchange of goods and services with companies of the Traton Group, Volkswagen and the Porsche Group essentially relates to the following transactions:

- Other services and reciprocal services with MAN SE, such as debit and credit interest from intercompany payment transactions, and cost reimbursements for other services.
- Delivery of test rigs and related services to company of the Volkswagen or Porsche Group. RENK purchases services, e.g. in the context of vehicle leases.

There was no exchange of goods or services with the parent company of Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH) in the reporting period or in the previous year.

The table below shows the extent of relationships with other companies of the Volkswagen Vermögensverwaltungs Group, Volkswagen and the Porsche Group:

€ thousand	2019	2018
Services rendered (income)	25,302	25,674
Services received (expense)	7,991	6,509
Receivables (Dec. 31)	106,105	190,874
Liabilities (Dec. 31)	4,444	3,801

MAN SE provided RENK companies with direct and indirect guarantees of € 6,284 thousand and derivative hedges with a nominal value of € 51,100 thousand as of December 31, 2019. There were receivables of € 98,666 thousand (previous year: € 185,457 thousand) from cash management with MAN SE and other MAN companies as of December 31, 2019.

(41) Related party disclosures (Continued)

Volkswagen's relationships with RENK AG include reimbursements for consulting expenses and internal costs incurred by RENK AG related to preparing the disposal of the equity investment to RENK AG by the Volkswagen Group.

Other related parties are the subsidiaries of the RENK Group that are not included in the consolidated financial statements. The exchange of services essentially comprises the supply of parts and the performance of services at market rates. The following table shows the extent of services:

€ thousand	2019	2018
Services rendered (income)	7,154	6,254
Services received (expense)	3,100	2,968
Receivables (Dec. 31)	2,747	3,190
Liabilities (Dec. 31)	996	1,250

Trade receivables from and trade payables to affiliated companies are reported under notes (19), (20) and (28). There are financial obligations to affiliated companies under operating leases of € 18 thousand (previous year: € 105 thousand).

Outstanding items in connection with related parties are not collateralized, nor had valuation allowances been recognized as of the end of the reporting period.

Related parties of RENK also include persons who can influence or be influenced by RENK AG, such as the members of the Executive Board and Supervisory Board of RENK AG, the members of the management of Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH) and the members of the Executive Board and Supervisory Board of VW AG.

Please see "Remuneration of the Executive Board" and "Supervisory Board" for disclosures required in accordance with IAS 24 on management remuneration for key positions. As in the previous year, no business relationships were maintained with the related parties in the reporting period.

(42) Events after the end of the reporting period

On January 30, 2020, Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH), Wolfsburg, entered into a share purchase agreement with SCUR-Alpha 1138 GmbH, (in future: Rebecca BidCo GmbH) to acquire a total of 5,320,000 shares in RENK AG (representing 76% of share capital and voting rights). SCUR-Alpha 1138 GmbH is held by the "Triton V" fund managed by Triton Investment Management Limited.

The purchase price per share is € 97.80. This is subject to change depending on the dividend paid but will not exceed € 100.00 per share. The completion of the share purchase agreement is subject to merger control, other official approvals and certain other conditions.

On the same day, SCUR-Alpha 1138 GmbH announced a voluntary takeover offer to acquire all of RENK AG's no-par value bearer shares. The takeover offer includes the payment of consideration in cash. The amount of the consideration payable is determined by section 31 of the German Securities Acquisition and Takeover Act (WpÜG) and sections 3 et seqq. of the WpÜG Offer Ordinance.

SCUR-Alpha 1138 GmbH and RENK AG also concluded an investment agreement that sets out the key terms and conditions of the offer and mutual intentions and understanding regarding future collaboration and strategy.

The RENK AG Executive Board welcomes the investment and the takeover offer and, subject to the review of the offer documents published within the meaning of section 11 WpÜG, will support the takeover offer.

Neither this situation nor other events have any impact on the RENK Group's net assets, financial position and results of operations as of December 31, 2019.

Members of the Supervisory Board and the Executive Board and their mandates

(43) Supervisory Board

Dr. Ingrun-Ulla Bartölke

Wolfsburg
Chairwoman of the Supervisory Board

Head of Group Accounting and External Reporting at Volkswagen Aktiengesellschaft

Volkswagen Bank GmbH[2)]

SEAT S.A., Spain[4)]

Roberto Armellini[*)]

Augsburg
Deputy Chairman of the Supervisory Board
Member of the Supervisory Board until December 31, 2019

Managing Director of IG Metall Augsburg

Michael Behrendt

Hamburg, Germany

Chairman of the Supervisory Board of Hapag-Lloyd AG

Barmenia Allgemeine Versicherungs-AG (Deputy Chairman)[1)]

Barmenia Krankenversicherung AG (Deputy Chairman)[1)]

Barmenia Lebensversicherung a. G. (Deputy Chairman)[1)]

Barmenia Versicherungen a. G. (Deputy Chairman)[1)]

ExxonMobil C. E. Holding GmbH[1)]

Hapag-Lloyd AG (Chairman)[1)]

MAN Energy Solutions SE[1)]

MAN SE[1)]

MAN Truck & Bus SE[1)]

Hardy Brennecke

Wolfenbüttel

Head of the Executive Office for the Commercial Vehicles division of Volkswagen Aktiengesellschaft Secretary

Secretary General of TRATON SE

Joachim Drees

Stuttgart

Chairman of the Executive Board of MAN Truck & Bus SE

Chairman of the Executive Board of MAN SE

Member of the Executive Board of TRATON SE

MAN Energy Solutions SE[1)]

Rheinmetall MAN Military Vehicles GmbH[1)]

(43) Supervisory Board (Continued)

Volkswagen Financial Services AG[1]

MAN Truck & Bus Deutschland GmbH (Chairman)[2]

Sinotruk (Hong Kong) Ltd., China[3]

Lothar Evers[*]

Rheine

Chairman of the Works Council RENK AG, Rheine plant

Christiane Hesse

Wunstorf

Member of the Board of Management (Human Resources and Organization) of Volkswagen Financial Services AG

MAN Financial Services GmbH[4]

MAN Financial Services (SA) (RF) (Pty) Ltd., South Africa (Chairman)[4]

VDF Faktoring A.S., Turkey (Chairwoman)[4]

VDF Filo Kiralama A.S., Turkey (Chairwoman)[4]

VDF Servis ve Ticaret A.S., Turkey (Chairwoman)[4]

VDF Sigorta Aracilik Hizmetleri A.S., Turkey (Chairwoman)[4]

Volkswagen Doğuş Finansman A.S., Turkey (Chairwoman)[4]

Volkswagen Financial Services Digital Solutions GmbH[4]

Volkswagen Financial Services South Africa (Pty) Ltd., South Africa (Chairwoman)[4]

Thorsten Jablonski

Ilsede

Head of Transmissions and Electric Drive for Volkswagen Aktiengesellschaft

Volkswagen Automatic Transmission (Dalian) Co., Ltd., China (Chairman)[4]

Volkswagen Automatic Transmission (Tianjin) Co., Ltd., China[4]

Volkswagen Transmission (Shanghai) Company Ltd., China[4]

Adela Lieb[*]

Augsburg

General Manager for Commercial Administration, Finance and Controlling at

RENK Test System GmbH

Klaus Refle[*]

Bobingen

Chairman of the Group Works Council of RENK AG,

Chairman of the Works Council of RENK AG, Augsburg plant and RENK Test System GmbH

Karina Schnur[*]

Reichertshofen

(43) Supervisory Board (Continued)

Member of the Supervisory Board until December 31, 2019

Secretary General for the Codetermination of MAN Truck & Bus SE and TRATON SE

MAN SE[1)]

MAN Truck & Bus SE[1)]

MAN Truck & Bus Deutschland GmbH[1)]

TRATON SE[1)]

Mario Sommer[*)]

Augsburg

Process planner for cubic parts production in the Vehicle Transmissions segment of RENK AG

As of December 31, 2019 or, if earlier, date of resignation.

(44) Committees of the Supervisory Board

Members of the Committee for Management Board Personnel

Dr. Ingrun-Ulla Bartölke (Chairwoman)
Roberto Armellini (Deputy Chairman)
Joachim Drees
Klaus Refle

Members of the Nomination Committee

Dr. Ingrun-Ulla Bartölke
Joachim Drees

Members of the Mediation Committee

Dr. Ingrun-Ulla Bartölke (Chairwoman)
Roberto Armellini (Deputy Chairman)
Joachim Drees
Klaus Refle

Members of the Audit Committee

Michael Behrendt (Chairman)
Klaus Refle (Deputy Chairman)
Dr. Ingrun-Ulla Bartölke
Karina Schnur

As of Dec. 31, 2019

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*) Elected by employees

1) Memberships of statutory supervisory boards in Germany

2) Memberships of statutory supervisory boards in Germany (Group mandates)

3) Memberships of statutory supervisory boards in Germany and abroad (Group mandates)

4) Memberships of comparable supervisory bodies in Germany and abroad (Group mandates)

(45) The Executive Board

Dipl.-Ing. (FH) Florian Hofbauer

Landsberg
Spokesperson
Engineering and Sales

Modest Tree Media Inc., Canada[1)]

Horstman Defence Systems Ltd., UK[2)]

Horstman Holdings Ltd., UK[2)]

RENK Holding Canada Inc., Canada[2)]

RENK Shanghai Service and Commercial Co., Ltd., China[2)]

Dipl.-Kfm. (Univ.) Christian Hammel

Munich
Administration and Production

RENK Gears Private Ltd., India[2)]

RENK Korea Co., Ltd., Korea[2)]

Augsburg, February 18, 2020

RENK Aktiengesellschaft

The Executive Board

Florian Hofbauer | Christian Hammel

As of Dec. 31, 2019

1) Memberships of statutory supervisory boards in Germany and abroad (Group mandates)

2) Memberships of comparable supervisory bodies in Germany and abroad (Group mandates)

Responsibility statement

To the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Augsburg, February 18, 2020

RENK Aktiengesellschaft
The Executive Board

Florian Hofbauer Christian Hammel

The following auditor's report (*Bestätigungsvermerk*) has been issued in accordance with Section 322 of the German Commercial Code (*Handelsgesetzbuch*) on the consolidated financial statements and group management report (*Konzernlagebericht*) of Renk Aktiengesellschaft as of and for the fiscal year ended December 31, 2019. The group management report is neither included nor incorporated by reference in this Offering Memorandum.

INDEPENDENT AUDITOR'S REPORT

To Renk Aktiengesellschaft, Augsburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Renk Aktiengesellschaft, Augsburg, and its subsidiaries (the Group), which comprise the consolidated income statement for the financial year from January 1 to December 31, 2019, the Reconciliation to Total Comprehensive Income for the Period the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Renk Aktiengesellschaft for the financial year from January 1 to December 31, 2019. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Management and measurement of inventories

❷ Acquisition of the Horstman Group

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ Management and measurement of inventories

① EUR 41 million in raw materials, consumables and supplies, EUR 187 million in work in progress, and EUR 3 million in prepayments were recognized under "Inventories" in the consolidated statement of financial position of Renk Aktiengesellschaft, Augsburg. From our point of view, this balance sheet item is of particular importance due to its material amount and the fact that the measurement of inventories is to a large extent based on estimates and assumptions made by management. The reliability of the processes and controls put in place is also a material requirement for managing inventories of work in progress.

② Given that the management and measurement complexity of inventories gives rise to an increased risk of accounting misstatements, we assessed the Group's processes and controls relating to the management and measurement of inventories. Our specific audit approach included testing of the controls and substantive audit procedures, in particular:

- observing stocktaking at multiple sites;
- auditing the measurement of inventories.

We verified the appropriateness of the systems, processes and controls in place, and that the estimates and assumptions made by management are sufficiently substantiated and documented.

③ The Company's disclosures relating to inventories are contained in notes (3)(g) and (18) to the consolidated financial statements.

❷ Acquisition of the Horstman Group

① With effect from April 16, 2019, Renk Aktiengesellschaft acquired 100% of the shares of the Horstman Group. The total purchase price for the acquisition was EUR 44.4 million. The acquisition was accounted for as a business combination using the acquisition method in accordance with IFRS 3. During the purchase price allocation, the identified assets and assumed liabilities and contingent liabilities of the company acquired were recognized at their fair values. Taking into account the acquired net assets of EUR 38.7 million that are to be allocated to the Company, the acquired goodwill amounted to EUR 5.7 million. Due to the estimation uncertainties involved in measuring the assets and liabilities as part of the purchase price allocation, and the overall material impact of the amounts involved in the acquisition on the net assets, financial position and results of operations of the RENK Group, this matter was of particular significance in the context of our audit.

② In auditing the acquisition of the Horstman Group, we initially inspected and reviewed the contractual agreements and reconciled the purchase price agreed as consideration for the shares received with the supporting payment documentation provided to us. On this basis, we reviewed the balance sheet underlying the acquisition based on the fair values as of the date of first-time consolidation. This involved assessing the appropriateness of, among other things, the models employed for the valuations as well as the valuation inputs and assumptions used. Given the special features involved in calculating the fair values in the context of the purchase price allocation, our valuation specialists assisted in the process. We also assessed the disclosures in the notes to the financial statements that are required under IFRS 3. Overall, we were able to satisfy ourselves that this acquisition was correctly presented in the financial statements and that the estimates and assumptions made by the executive directors are comprehensible and adequately substantiated.

③ The Company's disclosures relating to the acquisition are contained in sections (3)(n) and (14) of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the group statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code
- the information on the separate non-financial report pursuant to § 289b and § 315b HGB

The other information comprises further the remaining parts of the annual report—excluding cross-references to external information—with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective

information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 7, 2019. We were engaged by the supervisory board on May 16, 2019. We have been the group auditor of the Renk Aktiengesellschaft, Augsburg, without interruption since the financial year 2010.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Jürgen Schumann.

Munich, February 18, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Jürgen Schumann
Wirtschaftsprüfer
(German Public Auditor)

ppa. Stefan Postenrieder
Wirtschaftsprüfer
(German Public Auditor)

RENK AG, Augsburg
RENK Consolidated Financial Statements
for the Fiscal Year from January 1 to December 31, 2018

Contents

Consolidated Income Statement

€ thousand	Note	2018	2017[1]
Sales revenue	[6]	502,218	469,406
Cost of sales		(383,442)	(354,223)
Gross profit		118,776	115,183
Other operating income[2]	[7] [20]	7,484	3,807
Distribution expenses		(37,412)	(35,094)
General administrative expenses		(22,342)	(19,889)
Other operating expenses[2]	[8] [20]	(6,295)	(3,960)
Operating profit		60,213	60,047
Interest expense	[9]	(400)	(462)
Other financial result	[9]	1,802	1,619
Financial result		1,402	1,157
Profit before taxes		61,615	61,204
Income tax expense	[10]	(19,105)	(18,376)
Profit after tax (share of RENK shareholders)		42,510	42,828
Earnings per share in €(basic and diluted)	[11]	6.25	6.30

(1) Adjustment of prior-year information. Please see "New and revised accounting pronouncements and methods".

(2) In fiscal year 2018, this included total expenses of € 419 thousand resulting from the recognition of loss allowances in accordance with IFRS 9. Please see "Loss allowances" in the notes to the consolidated financial statements for further information.

Reconciliation to Total Comprehensive Income for the Period

€ thousand	2018	2017
Profit after tax	42,510	42,828
Items not reclassified to profit or loss		
Remeasurement of pension plans(1)	(2,195)	6,021
Deferred taxes(1)	(57)	(306)
Remeasurement of other and financial investments	(552)	—
Deferred taxes	9	—
	(2,796)	5,715
Items reclassified to profit or loss in the future		
Currency translation differences(1)(2)	1,130	(2,771)
Change in fair values of derivative financial instruments (hedging instruments)(2)	(320)	1,908
Deferred taxes	103	(610)
	913	(1,473)
Other comprehensive income for the period	(1,883)	4,242
Total comprehensive income	40,627	47,070
Other comprehensive income for the period as of Dec. 31	(13,273)	(11,390)

(1) No deferred taxes relate to currency translation differences.

(2) Please see chapter "Derivative financial instruments and hedging strategies" for information on the reclassification of recognized gains and losses to the income statement.

Consolidated Statement of Financial Position

€ thousand	Note	Dec. 31, 2018	Dec. 31, 2017
Assets			
Intangible assets	[14]	2,384	1,657
Property, plant and equipment	[15]	210,041	196,686
Other and financial investments	[16]	11,282	9,079
Deferred tax assets	[10]	6,295	7,652
Other non-current financial assets	[21] [31]	3	126
Other non-current receivables	[21]	3	32
Non-current assets		230,008	215,232
Inventories	[17]	196,578	180,503
Trade receivables	[18]	104,854	87,883
Contract assets[(1)]	[19]	5,718	—
Current income tax receivables		8,253	11,581
Other current financial assets	[21] [31]	15,800	2,866
Other current receivables	[21]	6,451	3,380
Cash and cash equivalents	[22]	185,700	198,553
Current assets		523,353	484,765
		753,361	699,997
Equity and liabilities			
Subscribed capital		17,920	17,920
Capital reserves		10,669	10,669
Retained earnings		431,910	404,651
Accumulated other comprehensive income		(10,564)	(11,390)
Equity	[23]	449,935	421,851
Pension provisions	[24]	16,023	10,505
Deferred tax liabilities	[10]	—	4,739
Contract liabilities, non-current[(1)]	[27]	81,993	70,606
Other non-current provisions	[25]	8,555	8,052
Other non-current financial liabilities	[28] [31]	120	—
Other non-current liabilities	[28]	51	76
Non-current liabilities and provisions		106,742	93,978
Effective income tax provisions		1,898	390
Trade payables	[26]	39,407	34,635
Contract liabilities, current[(1)]	[27]	80,392	71,055
Current income tax payables		159	2
Other current provisions	[25]	43,522	48,917
Other current financial liabilities	[28] [31]	2,129	1,175
Other current liabilities	[28]	29,176	27,995
Current liabilities and provisions		196,683	184,169
		753,361	699,997

(1) New statement of financial position item in accordance with IFRS 15. Please see "New and revised accounting pronouncements and methods".

Consolidated Statement of Changes in Equity[1]

€ thousand	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income for the period	Total
As of Dec. 31, 2016	17,920	10,669	376,783	(15,632)	389,740
Profit after tax	—	—	42,828	—	42,828
Other comprehensive income for the period	—	—	—	4,242	4,242
Total comprehensive income	—	—	42,828	4,242	47,070
Dividends paid	—	—	(14,960)	—	(14,960)
Before adjustment on Dec. 31, 2017	17,920	10,669	404,652	(11,390)	421,851
Change in accounting due to IFRS 9 and IFRS 15[2]	—	—	(291)	2,709	2,418
After adjustment on Jan. 1, 2018	17,920	10,669	404,361	(8,682)	424,268
Profit after tax	—	—	42,510	—	42,510
Other comprehensive income for the period	—	—	—	(1,883)	(1,883)
Total comprehensive income	—	—	42,510	(1,883)	40,627
Dividends paid	—	—	(14,960)	—	(14,960)
Other changes	—	—	—	—	0
As of Dec. 31, 2018	17,920	10,669	431,910	(10,564)	449,935

(1) See also the supplementary disclosures on "Equity" in the notes to the annual financial statements.

(2) Please see "New and revised accounting pronouncements and methods".

Consolidated Statement of Cash Flows [1]

€ thousand	Note	2018	2017
Cash and cash equivalents at beginning of period		198,553	213,957
Profit before taxes		61,615	61,204
Income taxes paid		(17,336)	(20,038)
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	[14] [15]	19,013	18,925
Change in provisions for pension obligations		3,364	1,378
Gains/losses from asset disposals		(327)	(19)
Other non-cash expenses and income		1,738	(906)
Change in inventories		(15,408)	133
Change in receivables and contract assets [2]		(30,328)	(2,725)
Change in (contract) liabilities [2]		17,481	(28,005)
Change in other provisions		(5,105)	(5,098)
Cash flows from operating activities [3]		34,706	24,849
Payments to acquire property, plant and equipment and intangible assets	[14] [15]	(35,361)	(18,735)
Capital contributions in other and financial investments, acquisition of non-consolidated subsidiaries	[16]	(1,669)	(5,392)
Proceeds from asset disposals		3,885	479
Cash inflow from deposits		8	—
Cash flows from investing activities		(33,136)	(23,648)
Dividends paid	[23]	(14,960)	(14,960)
Cash flows from financing activities		(14,960)	(14,960)
Effect of exchange rate changes on cash and cash equivalents		538	(1,645)
Change in cash and cash equivalents		(12,853)	(15,404)
Cash and cash equivalents at end of period	[22]	185,700	198,553

(1) See also the supplementary disclosures on the statement of cash flows in the notes to the annual financial statements.

(2) New statement of financial position item in accordance with IFRS 15. Please see "New and revised accounting pronouncements and methods".

(3) The cash flows from operating activities include interest income of € 128 thousand (previous year: € 350 thousand), interest expenses of € 87 thousand (previous year: € 154 thousand) and income from other and financial investments of € 1,979 thousand (previous year: € 1,217 thousand).

Notes to the Consolidated Financial Statements

Principles of Financial Reporting

(1) General principles

RENK Aktiengesellschaft (hereinafter: RENK AG) is a listed corporation domiciled at Gögginger Strasse 73, Augsburg, Germany. It is registered with Augsburg Local Court under HRB 6193. The RENK Group develops, produces and distributes high-quality drive technology worldwide. Its divisions are Special Gear Units, Vehicle Transmissions, Standard Gear Units and Slide Bearings.

On December 31, 2018, MAN SE sold its 76% interest in the capital of RENK AG to Volkswagen Klassik GmbH, Wolfsburg, a direct, wholly owned subsidiary of VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, (VW AG). RENK AG has thereby left the MAN SE Group. Volkswagen Klassik GmbH exercises the exemption provided by section 291 of the *Handelsgesetzbuch* (HGB—German Commercial Code) and does not prepare its own consolidated financial statements or Group management report. RENK AG is included in the consolidated financial statements of VW AG, the ultimate parent company, which are published in *Bundesanzeiger* (the Federal Gazette).

These consolidated financial statements of RENK AG for the fiscal year from January 1 to December 31, 2018 were prepared in line with section 315e(1) of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as applicable in the European Union as per Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, and the supplementary provisions of the Articles of Association. They were prepared on February 8, 2019 and approved for submission to the Supervisory Board by way of resolution of the Executive Board.

The consolidated financial statements have been prepared in euro, the functional currency of the RENK Group. Unless stated otherwise, all figures are in thousands of euro (€ thousand). Minor differences in totals or percentages can occur as a result of the commercial rounding of amounts.

(2) Consolidation and measurement of equity investments

(a) Equity investments

The equity investments of RENK AG include subsidiaries, other equity investments and a financial investment. All material domestic and foreign subsidiaries that RENK AG controls directly or indirectly are included in the consolidated financial statements. Control exists when RENK AG directly or indirectly has power over the potential subsidiary on the basis of voting or other rights, is exposed to positive and negative variable returns and can affect the amount of the variable returns on the basis of voting rights.

Other equity investments include interests in non-consolidated affiliated companies and a financial investment.

(b) Basis of consolidation

Companies included

In addition to RENK AG, the consolidated financial statements include the following wholly owned subsidiaries:

- RENK France S.A.S., Saint-Ouen-l'Aumône/France,
- RENK Corporation, Duncan (SC)/USA,
- RENK Test System GmbH, Augsburg,
- RENK-MAAG GmbH, Winterthur/Switzerland and
- RENK Systems Corporation, Camby (IN)/USA

Effective June 8, 2018, the subsidiary RENK MAAG GmbH, Winterthur, acquired all shares in MAAG Gear Systems AG, based in Wallisellen, Switzerland, at a converted purchase price of € 1,666 thousand. The remaining activities of the MAAG Group in the marine sector were bundled in the new company. The acquired company was merged with RENK-MAAG GmbH by way of entry in the commercial register dated October 12, 2018. A loss of € 25 thousand was incurred as a result of the merger.

(2) Consolidation and measurement of equity investments (Continued)

Companies not included

The subsidiaries and the financial investment not included in the consolidated financial statements are insignificant overall to the net assets, financial position and results of operations of the RENK Group. These are recognized, in some cases applying practical expedients, in the consolidated financial statements at their respective cost, taking into account any impairment losses required.

Please see the corresponding note for a full list of shareholdings of the RENK Group.

There was no separate reportable goodwill for the fiscal years 2018 and 2017.

(c) Other equity investments and financial investments

Other investments comprise unconsolidated subsidiaries measured at cost.

Financial investments are measured at fair value through profit or loss. Financial investments in equity instruments that are not held for trading and that do not represent contingent consideration in a business combination can be recognized at fair value through other comprehensive income. Gains and losses from cumulative changes in value recognized in other comprehensive income are not reclassified to profit or loss on subsequent derecognition, e.g. when the equity investment is sold. Dividends from financial investments are recognized in profit or loss unless they represent a repayment of the cost.

(d) Currency translation

Transactions in foreign currencies are translated using the relevant exchange rates at the time of the transaction. In subsequent periods, monetary assets and liabilities are measured at the middle rate at the end of the reporting period; exchange rate differences are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. On initial recognition of an asset, expense or income that includes prepayments received or made, the exchange rate at which the non-monetary items from prepayments were translated on the date of the transaction is used.

The financial statements of companies from countries outside the euro area are translated into euro using the functional currency concept. The functional currency is determined by the primary economic environment, it is the respective local currency of the companies consolidated.

The financial statements are translated using the modified current rate method, according to which items in the statement of financial position—except equity—are translated using the rate at the end of the reporting period, while income statement items are translated using weighted average exchange rates. Except for other comprehensive income, equity is translated at historic rates. The resulting translation differences are recognized in other comprehensive income until the disposal of the subsidiary and reported as a separate item in equity.

Overview of key exchange rates

	Middle rate		Average price[1]	
	Dec. 31, 2018	Dec. 31, 2017	2018	2017
US dollar	1.14525	1.19875	1.13855	1.18351
Swiss franc	1.12640	1.16935	1.12914	1.1686
Pound sterling	0.89690	0.88730	0.89750	0.88282
Chinese yuan	7.87725	7.80085	7.84092	7.80623
Japanese yen	125.91000	134.87000	127.67833	133.60947

(1) Weighted average price

(3) Accounting principles

The presentation in the statement of financial position distinguishes between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are due within one year or within the longer operating cycle. Deferred tax assets and liabilities and assets and provisions from defined benefit pension plans are shown as non-current items. The consolidated income statement has been prepared using the cost of sales method.

With the exception of certain items such as financial instruments at fair value and provisions for pensions and similar obligations, the consolidated financial statements are prepared on the basis of cost.

The consolidated financial statements are based on the financial statements of RENK AG and its consolidated subsidiaries, which are prepared using the same Group-wide accounting policies as the Volkswagen and MAN Groups.

The accounting principles describe the regulations and methods applied in fiscal year 2018, taking into account the first-time adoption of IFRS 9—Financial Instruments and IFRS 15—Revenue from Contracts with Customers. These new regulations entail some considerable differences in accounting methods and changes in presentation and reporting compared to the previous year. The accounting requirements were implemented using the modified retrospective transition method, whereby the amounts in the opening statement of financial position were adjusted in other comprehensive income. The figures for the previous year were therefore not adjusted, hence comparability with the previous year's information is made possible by the information in section 5—"New and revised accounting pronouncements and methods". Please see the consolidated financial statements of RENK AG as of December 31, 2017 for a description of the accounting policies applied in the previous year prior to the first-time adoption of IFRS 9 and IFRS 15.

(a) Revenue recognition

When control of an asset is transferred to the customer, the entity satisfies its performance obligation and the corresponding sales revenue can be recognized. The asset comprises contractually agreed goods and services. At contract inception it is determined whether the performance obligation is satisfied over time. If the requirements for this are not met, the performance obligation is satisfied at a point in time. Assurance-type warranties must be taken into account in performance obligations.

Performance obligations are recognized over time in the following cases:

- The services rendered that benefit the customer are consumed by the customer at the same time that the services are rendered.
- The assets created or processed are controlled by the customer during performance by the entity.
- The assets created have no alternative use for the entity and the entity has an enforceable right to payment by the customer for the performance completed to date.

Sales revenue from performance obligations fulfilled over time is accounted for using the percentage of completion method. RENK calculates the percentage of completion using the input method to estimate the costs incurred relative to the total expected costs. The contract costs incurred are the best measure of the satisfaction of performance obligations. If the expected costs exceed the expected sales revenue, the expected loss is immediately recognized in full as an expense by writing down capitalized assets and recognizing provisions if necessary.

The amount of sales revenue is determined by the transaction price, which is equal to the expected consideration including possible variable remuneration components. If variable consideration has been agreed in a contract, sales revenue is estimated using the most likely amount method. Variable consideration is only taken into account in the transaction price if it is highly probable that it will arise once the uncertainty relating to variable consideration is resolved. For multi-component contracts, the total transaction price is allocated to the individual, distinct performance obligations relative to the stand-alone selling prices.

Costs of obtaining or fulfilling a contract are not capitalized as the necessary requirements are not met.

(3) Accounting principles (Continued)

(b) Operating expenses

Operating expenses are recognized when the service is utilized; expenses for advertising and sales promotion and other sales-related expenses are recognized at the time they are incurred. The cost of sales consists of costs of the products and merchandise sold. In addition to the direct material and manufacturing costs, production costs also comprise production-related overheads, including depreciation of production equipment.

Warranty provisions are recognized when the products are sold. Expenses for research are immediately recognized in profit or loss. Interest and other borrowing costs are recognized as expenses in the period in which they arise, with the exception of borrowing costs that are capitalized as part of the cost of qualifying assets. A qualifying asset is an asset that necessarily takes a period of at least a year to get ready for its intended use or sale. No borrowing costs were recognized in either of the past two fiscal years.

(c) Intangible assets

Individually acquired intangible assets are carried at cost. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

If the intangible assets have a finite useful life they are amortized on a straight-line basis over their period of use. The amortization period for software is predominantly three years. Licenses and similar rights are amortized over their contractual terms of use. There is no amortization if the useful life cannot be determined. Instead, the intangible assets are tested for impairment at least once a year and impairment losses are recognized if necessary. No goodwill or other intangible assets with an indefinite useful life were capitalized as of December 31, 2018 or the same date of the previous year.

Expenses for the development of new products or series are capitalized when the new products or series are technically and economically feasible, are scheduled for internal use or for sale, the expenses can be measured reliably and sufficient resources to complete the development project are available. Development costs that do not meet these criteria and all research costs are recognized immediately in profit or loss. The capitalized development costs are amortized on a straight-line basis from the date of launch, typically over five to seven years. While a development project is still in progress, the amounts capitalized to date are tested for impairment at least annually. No such development costs were capitalized as of the end of the 2018 and 2017 reporting periods.

(d) Property, plant and equipment

Property, plant and equipment are measured at historic cost less depreciation and impairment losses. Investment grants are deducted from cost. The cost of internally generated assets includes directly attributable production costs and pro rata production overheads. Where property, plant and equipment consist of material identifiable components with different useful lives, these components are recognized and depreciated separately. Borrowing costs were not included in cost for the 2018 and 2017 fiscal years.

Expenses for maintenance and repairs are recognized in profit or loss, unless they must be capitalized.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful life. The useful lives of property, plant and equipment are reviewed at the end of each reporting period and adjusted if necessary. Depreciation is essentially based on the following useful lives:

in years	
Buildings	10 to 50
Improvements	5 to 33
Technical equipment and machinery	5 to 21
Other equipment, operating and office equipment	3 to 15

(e) Leases

Leases for property, plant and equipment (investment leases) must be classified as either a finance lease or an operating lease. The leases reported by the RENK Group are classified as operating leases and the

(3) Accounting principles (Continued)

lease payments are recognized as an expense. Assets leased under operating leases are carried at cost and depreciated to their residual value on a straight-line basis over the lease term. Impairment is recognized in the form of write-downs and adjustments to the lease installments. RENK leases assets only to a limited extent.

(f) Impairment

If there are indications that the carrying amounts of intangible assets, property, plant and equipment, other equity investments and financial investments or other receivables may be impaired, an impairment test is performed. Intangible assets with indefinite useful lives, capitalized development costs and goodwill are tested for impairment at least annually. At the RENK Group, none of these statement of financial position items were subject to an annual impairment test as of the end of the 2018 and 2017 reporting periods.

The recoverable amount of the asset in question is calculated to determine the extent of a possible impairment loss. The recoverable amount is the higher of the fair value less costs to sell and value in use. The value in use is the present value of the expected cash flows. A weighted average cost of capital before taxes (WACC) that reflects the market conditions is used as the discount rate. The discount rate is calculated on the basis of the interest rate for risk-free investments, a market risk premium and the borrowing rate and taking into account specific peer group information for the beta factors and the debt-to-equity ratio. The underlying assumptions are reviewed on an ongoing basis and adjusted as necessary. The weighted average cost of capital applied in 2018 was 7.7% (previous year: 8.0%). If a recoverable amount cannot be determined for an individual asset, the recoverable amount of the smallest identifiable cash-generating unit to which the asset in question can be assigned is determined. If the recoverable amount of an asset is lower than its carrying amount, an impairment loss on the asset is immediately recognized in profit or loss.

If an asset or cash-generating unit on which an impairment loss was recognized later has a higher recoverable amount, an impairment loss is reversed up to no higher than the amortized cost that would have resulted without the impairment. The impairment loss is reversed in profit or loss and is recognized in other operating income. The reversal of impairment losses on goodwill is not permitted. There was no recognized goodwill in the RENK Group as of the end of the 2018 or 2017 reporting periods, nor were any reversals in income required to be recognized for assets or cash-generating units.

Please see "(i) Primary financial instruments" for information on impairment in connection with financial assets.

(g) Inventories

Inventories are measured at the lower of cost or net realizable value. Cost includes directly attributable production costs and pro rata fixed and variable production overheads. The allocated overheads are mostly determined on the basis of normal capacity utilization. Distribution expenses, general and administrative expenses and borrowing costs are not capitalized. Raw materials and merchandise are measured at weighted average cost.

(h) Contract assets and liabilities

When either party to a contract has satisfied its performance obligations, the entity must recognize a contract asset or a contract liability, depending on whether the entity has satisfied its performance obligation or the customer has paid. Unconditional rights to consideration must also be taken into account.

In the RENK Group, contract assets result from the satisfaction over time of performance obligations accounted for using the percentage of completion method. Under this method, pro rata sales revenue and the cost of sales are reported in accordance with the progress achieved by the end of the reporting period. This is calculated based on the transaction price agreed with the customer and the expected contract costs. The percentage of completion is calculated as the proportion of the costs incurred by the end of the reporting period in the total forecast contract costs (cost to cost method). If the result of a performance obligation cannot be reliably determined, sales revenue is only recognized in the amount of the contract costs incurred (zero profit method). Under the percentage of completion method, the parts of the contract

(3) Accounting principles (Continued)

for which sales revenue has been received are recognized net of prepayments received under prepayments received in the statement of financial position.

Expected losses from performance of obligations over a period of time are immediately recognized in full as an expense by writing down capitalized assets and recognizing provisions.

Contract liabilities comprise prepayments received and the contra entry for unconditional customer prepayment receivables, i.e. liabilities from prepayments to be received.

(i) Primary financial instruments

Financial instruments are agreements that give rise to a financial asset at one entity while at the same time giving rise to a financial liability or equity instrument at another. Regular way purchases and sales of financial instruments are recognized at the settlement date, i.e. the date on which the asset is delivered.

Primary financial instruments include, in particular, trade receivables, financial investments, securities, cash and cash equivalents, financial liabilities and trade payables. Primary financial instruments are carried at fair value on initial recognition. Fair value on initial measurement is generally the transaction price, i.e. the consideration given or received.

On initial recognition, financial assets are classified as follows based on the business model applied and the structure of cash flows:

- at amortized cost;
- at fair value through other comprehensive income (debt instruments);
- at fair value through other comprehensive income (equity instruments);
- at fair value through profit or loss.

Financial liabilities are assigned to the following categories:

- at amortized cost;
- at fair value through profit or loss.

The option of recognizing financial assets and liabilities at fair value through profit or loss is not exercised in the RENK Group.

Subsidiaries that are not consolidated for reasons of materiality and financial instruments from rights and obligations under IFRS 15—Revenue from Contracts with Customers do not fall within the scope of IFRS 9—Financial Instruments, though the impairment provisions of IFRS 9 must be taken into account for the latter financial assets on account of an exemption.

Regarding financial assets (debt instruments) for which the cash flows at specified dates are solely payments of principal and interest (SPPI criterion), RENK exclusively intends to hold these to collect the associated cash flows. The amortized cost of a financial asset or financial liability is the amount:

- at which the financial asset or financial liability is measured on initial recognition;
- less any repayments;
- less any recognized loss allowances, write-downs for impairment on or the uncollectibility of financial assets; and
- plus or minus the cumulative amortization of any difference between the original amount and the amount repayable on maturity (premium, discount) using the effective interest method.

In the RENK Group, the "Financial assets at amortized cost" category mainly comprises trade receivables, other financial assets and cash and cash equivalents. Non-interest-bearing and low-interest-bearing receivables with a remaining term of more than twelve months are discounted by discounting the future cash flows at the market rate, though there were no such receivables as of the end of the 2018 or 2017 reporting periods.

(3) Accounting principles (Continued)

RENK has no financial assets held under a business model that intends both collecting contractual cash flows and selling financial assets.

The credit risk of financial assets at amortized cost and contract assets under contracts with customers is taken into account by the recognition of Group-wide loss allowances for expected credit losses (expected credit loss model) and by recognizing impairment for the losses already incurred. A potential impairment is assumed not just if certain circumstances apply—such as late payments over a certain period, the initiation of enforcement measures, imminent insolvency or over-indebtedness, application for insolvency proceedings or failure of restructuring measures—but also for receivables not past due. In addition to the above objective indications, the length of time payments are past due is also taken into account in assessing increases in credit risk.

To calculate loss allowances, insignificant receivables and significant individual receivables without evidence of impairment are grouped into homogeneous portfolios based on common credit risk characteristics and broken down by risk class. Average historical probabilities of default in conjunction with the future parameters of the respective portfolio are used to calculate the amount of impairment.

Impairment for expected credit losses is calculated using a general approach based on the allocation of financial assets to the following stages:

Stage 1:

For financial assets for which the risk of default has not increased significantly since initial recognition, a loss allowance is recognized for expected cash shortfalls within the next twelve months after the end of the reporting period.

Stage 2:

For financial assets for which the risk of default has increased significantly at the end of the reporting period compared to the initial risk, a loss allowance is recognized for the lifetime expected credit losses of the financial instrument. The entity must obtain extensive and forward-looking information to assess a significant increase.

Stage 3:

If there is objective evidence of impairment since the last reporting date, the financial assets are stage 3 and loss allowances are recognized on the basis of expected losses for their entire remaining term.

Regardless of the stages of the general approach described above, a loss allowance is recognized over the entire term of financial assets from the time of their addition if there is already objective evidence that they are credit-impaired on initial recognition.

The gross carrying amount of financial assets is written down if there is no valid expectation that the obligor will settle its liability in full or in part or that collateral can be realized, e.g. on the opening of insolvency proceedings or the failure of restructuring measures.

Loss allowances on trade receivables and contract assets are recognized in accordance with the simplified approach of IFRS 9. Under this method, the expected credit losses over the total remaining term of receivables and contract assets are calculated on the basis of a provision matrix with rates graded depending on the number of days that a receivable is past due. These rates are based on historical loss rates and forward-looking factors.

If there is objective evidence of individual impairment, the provision matrix is disregarded and a specific valuation allowance is recognized on trade receivables in the amount of the losses already incurred in line with stage 3 of the general approach.

Bad debt allowances on receivables are usually recognized in a separate allowance account. They are derecognized at the same time as the corresponding impaired receivable.

(3) Accounting principles (Continued)

Financial assets at fair value through other comprehensive income include financial investments (equity instruments) for which the RENK Group exercises the irrevocable option for measurement at fair value through other comprehensive income. In the context of recognition through other comprehensive income, the changes in fair value after taking deferred taxes into account and all foreign exchange components are recognized in accumulated other comprehensive income. Reclassification to profit or loss when the financial asset is sold is not permitted, and instead reclassification is to retained earnings on disposal of the equity investment. Any dividends are recognized in profit or loss unless they represent a repayment of the cost.

With the exception of derivative financial instruments, financial liabilities are subsequently measured at amortized cost.

Financial assets and liabilities are reported at their gross value. They are only offset when this is legally enforceable for RENK at the current time and it actually intends to offset them.

RENK used the central financial management of the MAN Group in the year under review. Under a cash pooling process, the balances of the RENK accounts included are closed out by MAN SE, usually daily, and thus transformed into receivables from/liabilities to MAN SE. As part of its central financial management, MAN SE manages and guarantees the MAN Group's liquidity and credit supply with corresponding transactions on the international financial markets. Given their cash-like nature, RENK reports the receivables from financial transactions with MAN SE as cash and cash equivalents. They essentially result from central cash pooling and from highly liquid investments of a temporary nature at MAN SE. By contrast, deposits made with MAN SE of an investment nature are reported as other assets. Analogously, liabilities resulting from the central financial management of the MAN Group are reported as financial liabilities.

(j) Derivative financial instruments

The RENK Group uses derivative financial instruments to hedge foreign currency, interest rate and other price risks that can mainly arise from operating activities. The most important derivative financial instruments for RENK are currency forwards and options.

Derivative financial instruments are measured at fair value on initial recognition and at the end of each subsequent reporting period. Derivative financial instruments are recognized on the trade date. Gains and losses from measurement at fair value are recognized in profit or loss.

The fair value for listed derivatives is their positive or negative market value, taking counterparty risk into account as applicable. If no quoted market prices are available, fair values are calculated based on the conditions at the end of the reporting period, such as interest rates or exchange rates, and using recognized models, such as discounted cash flow models or option pricing models.

RENK did not use hedge accounting in fiscal year 2018. Hedge accounting in accordance with IFRS 9 is therefore not described here.

(k) Income tax expense

Provisions for taxes include current income tax liabilities. Deferred taxes are reported in separate items of the statement of financial position and the income statement. Provisions for potential tax risks are recognized based on the best possible estimate. The likely amount of the tax arrears payment is used as a basis for recognized income tax items.

Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and the tax basis, for temporary differences in profit or loss arising on consolidation and for tax credits and tax loss carryforwards. Deferred taxes are measured at the prevailing tax rate at the end of the reporting period or the future tax rate highly likely to be used.

Deferred tax assets are only recognized to the extent that taxable profit will be available for the utilization of the deductible temporary differences. Valuation allowances are recognized for deferred tax assets whose

(3) Accounting principles (Continued)

realization is not expected in the foreseeable future. Deferred tax assets for tax loss carryforwards are usually measured based on future taxable income for a planning period of five fiscal years.

Deferred tax assets are offset against deferred tax liabilities if they relate to the same taxation authority and to the extent that their maturities match.

Changes in deferred taxes in the statement of financial position lead to deferred tax expense or income. If the change in deferred taxes results from items recognized directly in equity, the change in deferred taxes is also recognized directly in equity.

(l) Pensions and similar obligations

Pension obligations from defined benefit plans are calculated using the projected unit credit method. The future benefit obligations are measured on the basis of the benefits accrued pro rata by the end of the reporting period and discounted to present value. Their measurement reflects assumptions about the future development of certain parameters that affect the future level of benefits.

Provisions for pension obligations are reduced by the fair value of the plan assets held to cover the pension obligations. If plan assets exceed obligations, the excess is only recognized in other assets if it will result in a refund from the plan or a reduction of future contributions.

The service cost, which represents the benefits of active employees accumulated in accordance with the benefit plan in the fiscal year, is reported in functional expenses. Net interest income and expenses are calculated by multiplying the net asset or net liability by the discount rate and are included in interest expense.

Remeasurements of the net asset or net liability include actuarial gains and losses arising from differences between the actuarial assumptions used and the actual trends, changes in actuarial assumptions and the return on plan assets, not including amounts included in net interest income or expenses. Remeasurements are recognized net of deferred taxes in equity.

Payments for defined contribution plans are recognized in functional expenses.

(m) Other provisions

Other provisions are recognized for all identifiable risks and uncertain obligations resulting from past events that will probably lead to a future outflow of resources and whose amount can be reliably estimated. They are measured at the best estimate of the expenditure required to settle the obligation. The provision is carried at its net present value where the time value of money is material. The discount rate is based on market interest rates.

A reimbursement of third parties anticipated in connection with a provision is recognized as a separate asset if its realization is as good as certain. Provisions are regularly reviewed and adjusted as further information develops or circumstances change. If a change in an estimate results in a reduction of the obligation, the provision is reversed accordingly and the income is recognized in the corresponding functions or in other operating income.

Provisions for warranties are recognized at the time of sale of the products concerned or the performance of the relevant service. Their measurement is primarily based on historical experience. Individual provisions are also recognized for known losses. Provisions for restructuring measures are recognized when the Group has produced a detailed, formal plan of measures containing information on the division affected, the estimated number of employees and a cost estimate and the parties concerned or their representatives have been informed accordingly. Provisions for outstanding costs and other commitments are measured on the basis of services yet to be performed, usually in the amount of the production costs expected to be incurred. Provisions for anticipated losses from onerous contracts are recognized when the expected benefit resulting from the contract is less than the unavoidable costs to fulfill the contract.

(3) Accounting principles (Continued)

(n) Estimates and judgments

When preparing consolidated financial statements, to a certain extent assumptions and estimates are made that affect the amount and reporting of the recognized assets and liabilities, income and expenses and information on contingent assets and liabilities in the reporting period. The estimates were made on the basis of past experience and other relevant factors, including the assumption of going concern. All estimates and assumptions are made to the best of knowledge and belief to provide a true and fair view of the net assets, financial position and results of operations of the Group. Any uncertainty is adequately reflected in valuations, although future events can still differ from these estimates and have a material effect on the net assets, financial position and results of operations of the RENK Group. Estimates and judgments are reviewed on an ongoing basis.

The assumptions made regarding the following matters as of the end of the reporting period are of particular significance:

If intangible assets, property, plant and equipment, other equity investments and financial investments or other receivables are tested for impairment, this requires a forecast of future cash flows for the calculation of the recoverable amount and their discounting, among other things. Such cash flows are based on forecasts that are in turn based on the business and financial planning approved by the management. Other material assumptions relate to the weighted average cost of capital and tax rates.

Estimates of the useful life of depreciable assets are based on past experience. If, in the context of the review of useful life, a change is made in estimates, the remaining useful life is adjusted and any impairment loss is recognized.

Individual performance obligations are accounted for over time using the percentage of completion method. Sales revenue is accounted for using the percentage of completion method. This method places considerable importance on accurate estimates of the percentage of completion. Depending on which method is used to determine the percentage of completion, significant estimates include contract revenue, total contract costs, the remaining costs to completion, contract risks and other assessments. The management of the operating units is continuously reviewing the estimates for such performance obligations and adjusts them as necessary.

Estimates, especially for variable remuneration components, are required to calculate the transaction price as the expected consideration in exchange for the transfer of goods and services. The variability relates to the claim actually arising and to the amount of the claim. The single most likely amount in a range of possible contractual consideration amounts is selected as the most likely amount. In addition, some or all of the variable consideration component is only included in the transaction price to the extent that it is highly probable that a significant reversal of the revenue recognized will not occur. This assessment of probabilities and the restriction of variable remuneration components is based on management estimates.

Determining impairment of financial assets requires estimates of the level and probability of occurrence of future events. As far as possible, estimates are derived from past experience.

Pensions and similar obligations are measured using actuarial methods. These are mainly based on assumptions relating to discount rates, salary and pension trends and mortality. These actuarial assumptions can differ significantly from actual developments due to changes in market and economic conditions and therefore lead to a substantial change in pensions and similar obligations. The underlying assumptions are presented in the "Pensions and similar obligations" section.

As the Group operates in several countries, it is subject to different tax laws. The expected current income taxes and the deferred tax assets and liabilities must be calculated for each taxable entity. This requires, among other things, assumptions about the interpretation of complex tax regulations and the ability to generate sufficient taxable income within the respective tax type and jurisdiction. If these assumptions differ from the actual outcome of such tax uncertainties, this can affect tax expenses and deferred taxes. The best estimate of the expected tax payment is used for recognized uncertain income tax positions.

Depending on the matter at hand, the measurement of other provisions and similar obligations is complex at times and entails estimates to a considerable extent. The assumptions made by management with respect

(3) Accounting principles (Continued)

to the timing and amount of utilization are based, among other things, on historical data, available technical data, estimates of cost trends and potential warranty claims, discount rates and possible recoverable amounts. Litigation and other legal proceedings simultaneously give rise to complex legal issues and are subject to many difficulties and uncertainties. A provision is recognized for this if it is likely that, in connection with these proceedings, a liability has been incurred that will probably lead to an outflow of resources and its amount can be reliably estimated. Assessing whether a present obligation as of the end of the reporting period is as a result of a past event, whether a future outflow is likely and whether the obligation can be estimated reliably requires considerable judgment and significant estimates by management. Future events and developments as well as changes in estimates and assumptions can lead to an amended assessment at a future date. Additional expenses that can have a material effect on the net assets, financial position and results of operations of RENK thus cannot be completely ruled out. Changes in contractual or actual circumstances are monitored and assessed as regards the potential impact on the amount and reporting of the recognized assets and liabilities, income and expenses and information on contingent assets and liabilities in the reporting period. Developments in these general conditions that deviate from assumptions and are beyond management control can cause amounts to differ from the original estimates.

(4) Statement of cash flows

In the statement of cash flows, cash flows are divided into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities. The effects of changes in the basis of consolidation and exchange rates are eliminated in the respective positions. The effect of exchange rate changes on cash and cash equivalents is reported separately.

Cash flows from operating activities are calculated using the indirect method. Non-cash operating expenses and gains/losses from asset disposals are therefore eliminated in cash flows from operating activities.

Besides additions to property, plant and equipment, cash flows from investing activities also include deposits of an investment nature in intangible assets and other equity investments and financial investments. Proceeds from these items are offset against each other. Any proceeds from the disposal of subsidiaries are shown net of their cash and cash equivalents as of the date of disposal.

Cash flows from financing activities consist of the following cash transactions: dividend payments, proceeds from and payments for securities, the borrowing and repayment of financial liabilities. The RENK Group had no financial liabilities in either 2018 or 2017.

The cash and cash equivalents shown in the statement of cash flows correspond to the "Cash and cash equivalents" item in the statement of financial position. Cash and cash equivalents include bank balances, highly liquid investments of a temporary nature that are only subject to minor risks of fluctuations in value and the receivables under the MAN Group's internal cash pooling.

(5) New and revised accounting pronouncements and methods

(a) Impact of new and revised IFRSs

RENK has implemented all accounting standards endorsed by the EU and effective for financial periods from January 1, 2018.

The main features of the methods used in connection with IFRS 9—Financial Instruments and IFRS 15—Revenue from Contracts with Customers have already been explained in the preceding sections on accounting policies. The effects of the initial adoption of new or amended IFRSs are described in the following sections.

IFRS 9—Financial Instruments

Since January 1, 2018, the RENK Group has applied IFRS 9 in the classification and measurement of financial assets, impairment on financial assets and hedge accounting.

(5) New and revised accounting pronouncements and methods (Continued)

IFRS 9 was implemented in the RENK Group using the modified retrospective transition approach, under which the cumulative effects are recognized in other comprehensive income in the opening statement of financial position as of January 1, 2018. Please see the statement of financial position at the end of this section for a summary of the effects. The accounting policies for financial instruments in accordance with IAS 39, on which the prior-year comparative figures are based, are therefore unchanged. Please see the notes to the consolidated financial statements for the 2017 fiscal year in this context.

The classification and measurement of financial assets is determined by the business model applied and the structure of cash flows. On initial recognition, a financial asset is classified either as "at amortized cost", "at fair value through other comprehensive income" or "at fair value through profit or loss". The classification and measurement of financial liabilities is largely unchanged under IFRS 9.

When classifying financial instruments, financial investments are always measured at fair value, even if the investee is not listed. For the financial investment in question, which is an equity instrument in accordance with IAS 32, the first-time calculation of its fair value resulted in an increase in value of € 2,753 thousand in financial investments recognized directly in accumulated other comprehensive income under the option for equity investments not held for trading. Also in the event of subsequent derecognition, e.g. when selling the equity investment, the cumulative changes in value will no longer be reclassified to profit or loss.

The expected credit loss model for calculating impairment losses and recognizing loss allowances replaces the incurred loss model previously used. Under the simplified IFRS 9 approach, loss allowances on individual receivables are calculated using a provision matrix based on the age structure of the receivables in question. The change in measurement increases the loss allowance overall, as a result in particular of the requirement to recognize loss allowances for non-impaired financial assets.

Impairment losses on financial and contract assets developed as follows as a result of the application of the expected credit loss model in accordance with IFRS 9:

€ thousand	Impairment as of Dec. 31, 2017	IFRS 9 adjustment	Impairment as of Jan. 1, 2018
Trade receivables	916	337	1,253
Contract assets(1)	—	86	86
Other current financial assets	20	—	20
Total	936	423	1,359

(1) New statement of financial position item in accordance with IFRS 15

IFRS 9—Financial Instruments also requires significantly more extensive disclosures in the notes.

Financial instruments are still categorized as "at fair value", "at amortized cost", "hedging derivative financial instruments" and "not assigned to an IFRS 9 measurement category". Within the "hedging derivative financial instruments" category, there were no reclassifications to or from other categories as a result of IFRS 9.

Under IAS 39 Financial Instruments, "at fair value" included the measurement categories "available-for-sale financial assets" and "financial instruments measured at fair value through profit or loss". There were no changes in financial instruments measured at fair value through profit or loss. Taking into account the increase in the value of financial investments, available-for-sale financial assets for which

(5) New and revised accounting pronouncements and methods (Continued)

the option of measurement at cost was exercised in previous years were adjusted as follows as of January 1, 2018:

€ thousand	At fair value (IAS 39) Dec. 31, 2017 Carrying amount	Reclassification from "At amortized cost" Carrying amount	Remeasurement due to recogni-tion at fair value Fair value	Reclassification to "At amortized cost" Carrying amount	At fair value (IFRS 9) Jan. 1, 2018 Fair value
Non-current assets					
Other and financial investments(1)	774	—	2,753	—	3,527

(1) IAS 39 "assets available for sale" category. IFRS 9 "at fair value through other comprehensive income" category.

Under IAS 39, "at amortized cost" included the measurement categories "loans and receivables" and "financial liabilities at amortized cost". There were the following adjustments in "loans and receivables":

€ thousand	At amortized cost (IAS 39) Dec. 31, 2017 Carrying amount	Reclassification from/to "At fair value" Carrying amount	Reclassification of contract assets in accordance with IFRS 15(2) Carrying amount	Remeasurement on account of application of the expected credit loss model Loss allowances	At amortized cost (IFRS 9) Jan. 1, 2018 Carrying amount
Non-current assets					
Other financial assets(1)	7	—	—	—	7
Current assets					
Trade receivables(1)	87,883	—	(7,582)	(337)	79,964
Other financial assets(1)	648	—	—	—	648
Cash and cash equivalents(1)	198,553	—	—	—	198,553

(1) IAS 39 "loans and receivables" category. IFRS 9 "at amortized cost" category.

(2) Reclassification to "not assigned to an IFRS 9 measurement category".

The carrying amounts of the financial assets measured at amortized cost in accordance with IFRS 9 are equal to the fair value as of January 1, 2018.

There were no adjustments in the financial liabilities measurement category. "Financial liabilities at amortized cost" under IAS 39 are allocated to the category "at amortized cost" under IFRS 9.

The carrying amount of the "available-for-sale financial assets" measurement category was adjusted as follows as of January 1, 2018:

€ thousand	Carrying amount IAS 39 Dec. 31, 2017	Reclassification	IFRS 9 adjustment	Carrying amount IFRS 9 Jan. 1, 2018	Change in equity
Available-for-sale financial assets IAS 39	774	—	—	774	—
Difference due to remeasurement under IFRS 9 category	—	—	2,753	2,753	2,753
Financial assets at fair value through other comprehensive income IFRS 9	—	—	—	3,527	2,753

(5) New and revised accounting pronouncements and methods (Continued)

The carrying amount of the “financial assets at fair value through profit or loss” measurement category was adjusted as follows as of January 1, 2018:

€ thousand	Carrying amount IAS 39 Dec. 31, 2017	Reclassification	IFRS 9 adjustment	Carrying amount IFRS 9 Jan. 1, 2018	Change in equity
Financial assets at fair value through profit or loss	796	—	—	796	—

The carrying amount of the “loans and receivables” measurement category was adjusted as follows as of January 1, 2018:

€ thousand	Carrying amount IAS 39 Dec. 31, 2017	Reclassification of contract assets in accordance with IFRS 15	IFRS 9 adjustment	Carrying amount IFRS 9 Jan. 1, 2018	Change in equity
Loans and receivables	288,632	—	—	288,632	—
Not assigned to an IFRS 9 measurement category	—	(7,582)	(86)	(7,582)	(86)
Difference due to remeasurement under IFRS 9 category	—	—	(337)	(337)	(337)
Financial assets at amortized cost	—	—	—	280,713	(423)

IFRS 15—Revenue from Contracts with Customers

IFRS 15 revises accounting for revenue recognition.

The RENK Group uses the modified retrospective transition approach, under which the cumulative transition effects are recognized in the opening statement of financial position for 2018. Please see the statement of financial position at the end of this section for a summary of the effects.

The recognition of prepayments that are unconditional but that have not yet paid by the customer increased total assets by € 9,233 thousand as against the previous year.

The items “Contract liabilities” and “Contract assets” have been added to the statement of financial position in order to recognize excess performance by the customer or the company. Since January 1, 2018, the receivables from the performance of obligations over a period of time that were previously included in trade receivables have been reported as contract assets. These are not assigned to any IFRS 9 measurement category as they are not financial instruments. However, the regulations on impairment are applied under the simplified IFRS 9 methodology. Amounts previously reported as current or non-current prepayments received are reported under contract liabilities with the contra entry for unconditional customer prepayment receivables.

In order to standardize presentation with the changes from IFRS 15 and for improved comparability, the reporting of income from the reversal of provisions and deferred liabilities was adjusted and allocated to the functional areas for which they were recognized. The figures for the previous year were adjusted as follows.

€ thousand	Dec. 31, 2017 before adjustment	Adjustment	Dec. 31, 2017 after adjustment
Cost of sales	(363,796)	9,573	(354,223)
Gross profit	105,610	9,573	115,183
Other operating income	13,380	(9,573)	3,807
Operating profit	60,047	0	60,047

(5) New and revised accounting pronouncements and methods (Continued)

The transition effects of the first-time adoption of IFRS 9 and IFRS 15 on the statement of financial position are as follows:

Assets

€ thousand	Dec. 31, 2017 before adjustment	IFRS 15 adjustment	IFRS 9 adjustment	Jan. 1, 2018 after adjustment
Other and financial investments	9,079	—	2,753	11,832
Deferred tax assets(1)	7,652	—	5	7,657
Non-current assets	215,232	—	2,758	217,990
Trade receivables	87,883	(7,582)	(337)	79,964
Contract assets	—	7,582	(86)	7,496
Other current financial assets	2,866	9,233	—	12,098
Current assets	484,765	9,233	(423)	493,575
	699,997	9,233	2,335	711,565

Equity and liabilities

€ thousand	Dec. 31, 2017 before adjustment	IFRS 15 adjustment	IFRS 9 adjustment	Jan. 1, 2018 after adjustment
Retained earnings	404,651	—	(291)	404,361
Accumulated other comprehensive income	(11,390)	—	2,709	(8,682)
Equity	421,851	—	2,418	424,268
Deferred tax liabilities(1)	4,739	—	(83)	4,656
Prepayments received, non-current	70,606	(70,606)	—	—
Contract liabilities, non-current	—	70,606	—	70,606
Non-current liabilities and provisions	93,978	—	(83)	93,895
Prepayments received, current	71,055	(71,055)	—	—
Contract liabilities, current	—	80,287	—	80,287
Current liabilities and provisions	184,169	9,233	—	193,401
	699,997	9,233	2,335	711,565

(1) Deferred taxes on loss allowances recognized in accordance with IFRS 9 and on the fair value of the other equity investment in accordance with IFRS 9 before netting.

(b) Other accounting standards effective for the first time

The following amendments and accounting standards effective for the first time in fiscal year 2018 have no effect on the presentation of the net assets, financial position and results of operations in the RENK consolidated financial statements:

- IFRIC 22 (Foreign Currency Transactions and Advance Consideration) has been effective since January 1, 2018. This clarifies that the exchange rate for a foreign currency transaction must be determined on initial recognition of the prepayments made or received. If there are multiple payments in advance, the entity must determine the transaction date for each payment.
- Since January 1, 2018, the amendment to IFRS 2 (Share-based Payment) clarified the classification of share-based payments with net settlement features, the accounting for cash-settled share-based payment transactions that include a performance condition and accounting for modifications of share-based payment transactions from cash-settled to equity-settled.
- The International Accounting Standards Board's amendments to IAS 40 (Transfers of Investment Property), which establish that transfers to, or from, investment property are only permitted when there has been an evident change in use, have been effective since January 1, 2018.

(5) New and revised accounting pronouncements and methods (Continued)

- IFRS 4 (Insurance Contracts) has been amended effective January 1, 2018. The overlay approach and the deferral approach introduced by the amendments to IFRS 4 must be applied for the first time at the same time as initial adoption of IFRS 9 (Financial Instruments).
- Various regulations have become effective since January 1, 2018 as part of the 2016 improvement of International Financial Reporting Standards (Annual Improvements to IFRS Standards 2014-2016 Cycle). These include amendments to IFRS 1, IFRS 12, and IAS 28 and do not affect the net assets, financial position and results of operations of the RENK Group.

(c) New and revised IFRSs not adopted

RENK did not adopt the following accounting standards that have been adopted by the IASB but that are not yet effective for the fiscal year in the 2018 consolidated financial statements.

Standard / Interpretation		Published by IASB	Mandatory application(1)	Endorsed by EU	Anticipated impact
IFRS 3	Amendments to business combinations	Oct. 22, 2018	Jan. 1, 2020	No	No impact
IFRS 9	Amendments—Prepayment features with negative compensation	Oct. 12, 2017	Jan. 1, 2019	Yes	No impact
IFRS 16	Leases	Jan. 13, 2016	Jan. 1, 2019	Yes	Detailed descriptions after the table
IFRS 17	Insurance contracts	May 18, 2017	Jan. 1, 2021	No	No impact
IAS 1 IAS 8	Amendments to IAS 1 and IAS 8: Definition of 'material'	Feb. 7, 2018	Jan. 1, 2019	No	No impact
IAS 19	Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	Feb. 7, 2018	Jan. 1, 2019	No	No impact
IAS 28	Amendments: Long-term Interests in Associates and Joint Ventures	Oct. 12, 2017	Jan. 1, 2019	No	No impact
IFRIC 23	Uncertainty over Income Tax Treatments	Jun. 7, 2017	Jan. 1, 2019	Yes	No material impact
	Revisions to Conceptual Framework	Mar. 29, 2018	Jan. 1, 2020	No	No material impact
	Improvements to International Financial Reporting Standards 2017(2)	Dec. 12, 2017	Jan. 1, 2019	No	No material impact

(1) Initial adoption mandatory for the RENK Group.

(2) Minor amendments to a variety of IFRSs (IFRS 3, IFRS 11, IAS 12 and IAS 23).

IFRS 16—Leases

IFRS 16, which supersedes the previous Standard IAS 17 and its associated interpretations, comprehensively amends the provisions for accounting for leases. Accordingly, lessees no longer distinguish between finance and operating leases. Instead, a right of use and a lease liability are recognized for all leases, whereby RENK exercises the option to continue accounting for short-term and low-value

(5) New and revised accounting pronouncements and methods (Continued)

leases as expenses. During the term of the lease, the right of use must be amortized and the lease liability must be carried forward using the effective interest method and taking lease payments into account. New lessee accounting will generally lead to higher non-current assets and non-current liabilities. In the income statement, a reduction in operating profit and an increase in financial result are expected. The leasing liabilities and the associated interest portion are then reported in cash flow from investing activities.

Lessor accounting is essentially the same as the current requirements of IAS 17. Lessors must continue to distinguish between finance and operating leases in the future on the basis of the distribution of the risks and opportunities from the asset. There have been no changes in RENK's accounting in this respect.

This will also lead to significantly more extensive disclosures in the notes.

IFRS 16 affects accounting for operating leases in the consolidated financial statements, with the recognition of an asset and a liability for future payments. We expect total assets to increase by around € 2 million as a result of the first-time recognition of such items as of January 1, 2019. Some existing leases will fall under the exemption for short-term and low-value leases, and therefore will not be classified as leases to be accounted for in accordance with IFRS 16, hence the related lease charges will continue to be recognized as an expense. Unlike under the previous approach, where expenses for operating leases were shown in full in operating profit, under IFRS 16 only the amortization of rights of use is shown in operating profit. Interest expenses on lease liabilities are reported in the financial result.

The RENK Group uses the modified retrospective transition approach, under which the cumulative transition effect increasing total assets is recognized in the opening statement of financial position for 2019. This means that there will be no reassessment of existing leases in terms of their classification as short-term or low-value leases.

Notes to the Consolidated Income Statement

(6) Sales revenue

€ thousand	2018	2017
Germany	161,515	146,866
Other EU countries	146,682	153,519
Other European countries	33,585	30,048
Asia	106,845	73,883
Americas	45,387	56,684
Africa	6,344	3,644
Australia and Oceania	1,860	4,762
	502,218	469,406

Prior-period sales revenue recognized in fiscal year 2018 due to the subsequent change in the transaction price amounts to € 278 thousand.

All recognized sales revenue results from contracts with customers. The performance obligations extend to all products in the RENK Group's product range. The RENK Group typically recognizes revenue at a point in time. The Vehicle Transmissions segment includes revenue recognized over a period of time of € 21,420 thousand (previous year: € 21,813 thousand).

RENK uses standard international trade terms (Incoterms) to demonstrate the performance of its obligations, whereby all groups are applied but allocation to a specific product group is not possible.

In addition to the usual payment terms of a maximum of 90 days after performance, the terms of payment also include (pro rata) prepayments.

(6) Sales revenue (Continued)

The unfulfilled or partially unfulfilled performance obligations under contracts with customers are included in the order backlog at a transaction price of € 773,881 thousand as of December 31, 2018. The recognition of the corresponding sales revenue is expected in the following fiscal years:

	Dec. 31, 2018		
€ thousand	2019	2020 to 2025	>2025
Transaction price of remaining performance obligations	373,410	394,183	6,288

(7) Other operating income

€ thousand	2018	2017
Income from reversal of provisions[1]	2,785	971
Prior-period income	1,838	543
Income from currency translation differences and derivatives	1,623	1,130
Income from asset disposals	339	115
Income from reversal of bad debt allowances on receivables and receivables written off	66	69
Income from penalties	—	4
Other income	833	975
	7,484	3,807

(1) Adjustment of prior-year information. Please see "New and revised accounting pronouncements and methods".

Please see "Other non-current and current provisions" for information on income from the reversal of provisions.

Income from currency translation differences and derivatives firstly includes gains from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currency and price gains from measurement at the closing rate. The resulting exchange rate losses are reported in other operating expenses. Secondly, in accordance with IFRS 9 – Financial Instruments, gains from the fair value measurement of financial instruments to hedge currencies not designated as a hedge are recognized here. These effects were reported under "Financial result" in the previous year.

(8) Other operating expenses

€ thousand	2018	2017
Expenses from currency translation differences and derivatives	2,808	1,428
Personnel expenses	917	98
Addition to miscellaneous other provisions	821	675
Surety and bank fees	596	598
Bad debt allowances on receivables and other assets and write-off of bad debts	574	153
Losses on asset disposals	13	97
Other expenses	566	911
	6,295	3,960

Other operating expenses comprise the expenses not allocated to functional expenses, in particular the cost of sales.

Expenses from currency translation differences and derivatives firstly include gains from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currency and price losses from measurement at the closing rate. The resulting exchange rate gains are reported in other operating income. Secondly, in accordance with IFRS 9 – Financial Instruments, losses from the fair value measurement of financial instruments to hedge currencies not designated as a hedge are recognized here. These effects were reported under "Financial result" in the previous year.

(9) Interest expense and other financial result

Interest expense

€ thousand	2018	2017
Interest cost on provisions and liabilities	147	224
Interest and similar expenses	253	238
Interest expense	400	462

The effect of changes in the discount rate for liabilities and other provisions resulted in an expense of € 44 thousand in fiscal year 2018 (previous year: € 59 thousand) and is included in interest expense.

Other financial result

€ thousand	2018	2017
Income		
Income from equity investments	1,979	1,217
Other interest and similar income	131	352
Income from the fair value measurement of derivatives	—	798
Expenses		
Expenses from measurement effects and write-downs of financial instruments	(307)	(748)
Other financial result	1,802	1,619

€ 112 thousand (previous year: € 56 thousand) of interest income results from financial transactions with MAN SE. Exchange rate hedges invoiced in the reporting period and the measurement of amounts in foreign currencies resulted in expenses of € 307 thousand as against income of € 50 thousand reported in the previous year, which played a key role in the development of the "Other financial result".

(10) Income tax expense

€ thousand	2018	2017
Current taxes		
Germany	20,760	14,153
Outside Germany	1,596	998
Deferred taxes		
Germany	(3,116)	2,115
Outside Germany	(136)	1,110
	19,105	18,376

The tax expense forecast for fiscal year 2018 results from applying the domestic tax rate of 32.01% (unchanged year-on-year) for the 2018 assessment period to the profit before tax. As in the previous year, this tax rate takes into account German municipal trade tax of 16.19% and German corporate income tax of 15.0% and the solidarity surcharge of 5.5% of corporate income tax.

Reconciliation of forecast to current income taxes:

€ thousand	2018	%	2017	%
Profit before taxes	61,615	100	61,204	100
Forecast tax expense	19,723	32.0	19,591	32.0
Difference due to changes in tax rates	10	0.0	79	0.1
Tax-exempt income	(118)	(0.2)	(916)	(1.5)
Non-deductible expenses	181	0.3	214	0.3
Taxes for previous years and other	(691)	(1.1)	(592)	(1.0)
Current tax expense	19,105	31.0	18,376	30.0

(10) Income tax expense (Continued)

The current tax expense includes a prior-period income tax expense of € 237 thousand (previous year: € 1,331 thousand).

Deferred taxes are attributable to the following items:

€ thousand	Dec. 31, 2018	Dec. 31, 2017
Deferred tax assets		
Intangible assets	19	17
Property, plant and equipment	5	122
Other equity investments and financial investments	—	—
Inventories	11,096	14,556
Receivables and other assets	559	4
Pensions and similar obligations	14,400	14,305
Liabilities and other provisions	7,344	3,892
Loss carryforwards	—	2
Impairment losses on deferred tax assets	—	—
Gross amount	33,422	32,900
of which non-current	14,424	14,325
Offset	(27,782)	(26,248)
Consolidation	655	1,000
Carrying amount in statement of financial position	6,295	7,652

€ thousand	Dec. 31, 2018	Dec. 31, 2017
Deferred tax liabilities		
Intangible assets	—	9
Property, plant and equipment	12,456	11,399
Other equity investments and financial investments	35	—
Inventories	81	56
Receivables and other assets	6,724	3,753
Pensions and similar obligations	—	—
Liabilities and other provisions	8,232	15,566
Gross amount	27,529	30,784
of which non-current	12,491	11,408
Offset	(27,513)	(26,248)
Consolidation	(16)	203
Carrying amount in statement of financial position	—	4,739

In connection with investments in subsidiaries there are temporary differences for which deferred taxes are recognized in the amount of € 290 thousand (previous year: € 295 thousand).

(11) Earnings per share

	2018	2017
Profit after tax in € thousand	42,510	42,828
Weighted average shares outstanding (in thousands)	6,800	6,800
Earnings per share in €	6.25	6.30

In accordance with IAS 33, earnings per share are calculated from the consolidated profit after tax and the average number of shares outstanding in the year. There were no instruments as of either December 31, 2018 or December 31, 2017 that would dilute earnings per share.

(12) Other income statement disclosures

The cost of materials is as follows:

€ thousand	2018	2017
Cost of raw materials, consumables and supplies, and of purchased merchandise	182,320	169,736
Cost of purchased services	52,487	49,940
	234,807	219,676

The cost of sales includes research and development costs of € 13,069 thousand (previous year: € 14,098 thousand).

Staff costs break down as follows:

€ thousand	2018	2017
Wages and salaries	155,865	142,854
Social security and post-employment expenses	32,609	30,625
	188,474	173,479

RENK employed 2,159 people (previous year: 2,112) on average over the year. Of these, 1,216 (previous year: 1,210) worked directly and 943 (previous year: 902) indirectly in production. There were 45 employees in the non-active phase of early retirement (previous year: 37). On average, 105 people (previous year: 107) were in vocational training.

Lease expenses amount to:

€ thousand	2018	2017
Rental and lease expenses	2,448	2,049
	2,448	2,049

(13) Total remuneration for work by the auditor

In the year under review, the Supervisory Board proposed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, (PwC) as the auditor; the Annual General Meeting endorsed this proposal on April 27, 2018.

The table below shows the fees charged for the work of the auditor PwC and the companies of the international PwC network in fiscal year 2018 and 2017:

€ thousand	2018	2017
Audit of the financial statements	224	202
Other assurance services	27	44
Tax advisory services	2	2
Auditor remuneration	253	247

The fees charged for work by the German auditor PwC and its affiliated German companies in fiscal year 2018 totaled € 223 thousand (previous year: € 219 thousand). € 196 thousand (previous year: € 175 thousand) of this related to the audit of the financial statements and € 27 thousand (previous year: € 44 thousand) to other assurance services.

Audit services comprise the audit of the consolidated and single-entity financial statements of RENK AG and its subsidiaries. Other assurance services essentially include certification services in the IT system environment.

(14) Intangible assets

€ thousand	Licenses, software and similar rights	Other intangible assets	Total
Gross carrying amount on Jan. 1, 2017	14,648	5,912	20,560
Cumulative depreciation/amortization and impairment losses	(13,292)	(5,912)	(19,204)
As of Jan. 1, 2017	1,356	—	1,356
Additions	1,129	—	1,129
Reclassifications	55	—	55
Disposals	(840)	—	(840)
Depreciation/amortization	(863)	—	(863)
Cumulative depreciation/amortization on disposals	832	—	832
Currency adjustment	(12)	—	(12)
As of Dec. 31, 2017	1,657	—	1,657
Gross carrying amount on Dec. 31, 2017	14,550	5,435	19,985
Cumulative depreciation/amortization and impairment losses	(12,893)	(5,435)	(18,328)
As of Jan. 1, 2018	1,657	—	1,657
Additions	618	—	618
Reclassifications	9	—	9
Disposals	(7)	—	(7)
Depreciation/amortization	(964)	—	(964)
Changes in basis of consolidation	1,052	—	1,052
Currency adjustment	19	—	19
As of Dec. 31, 2018	2,384	—	2,384
Gross carrying amount on Dec. 31, 2018	16,427	5,642	22,069
Cumulative depreciation/amortization and impairment losses	(14,043)	(5,642)	(19,685)

Amortization of intangible assets is included in the functional expenses, in the cost of sales in particular.

The intangible assets from the merger of MAAG Gear Systems AG with RENK-MAAG GmbH are reported under “Changes in basis of consolidation”.

(15) Property, plant and equipment

€ thousand	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Prepayments and assets under construction	Total
Gross carrying amount on Jan. 1, 2017	112,182	219,900	37,455	9,381	378,918
Cumulative depreciation/amortization and impairment losses	(41,625)	(114,297)	(24,773)	—	(180,695)
As of Jan. 1, 2017	70,557	105,603	12,682	9,381	198,223
Additions	615	3,752	6,998	6,241	17,606
Reclassifications	—	4,002	78	(4,135)	(55)
Disposals	—	(2,847)	(1,269)	—	(4,116)
Depreciation/amortization	(2,595)	(11,715)	(3,752)	—	(18,062)
Cumulative depreciation/amortization on disposals	—	2,714	951	—	3,665
Currency adjustment	(319)	(203)	(45)	(8)	(575)
As of Dec. 31, 2017	68,258	101,306	15,643	11,479	196,686
Gross carrying amount on Dec. 31, 2017	112,339	223,665	43,130	11,479	390,613
Cumulative depreciation/amortization and impairment losses	(44,081)	(122,360)	(27,486)	—	(193,927)
As of Jan. 1, 2018	68,258	101,305	15,643	11,479	196,686
Additions	952	4,597	4,762	24,432	34,743
Reclassifications	86	4,902	139	(5,135)	(9)
Disposals	—	(3,747)	(3,222)	—	(6,969)
Depreciation/amortization	(2,622)	(11,508)	(3,919)	—	(18,048)
Cumulative depreciation/amortization on disposals	—	2,695	722	—	3,417
Currency adjustment	104	94	16	7	221
As of Dec. 31, 2018	66,779	98,337	14,142	30,783	210,041
Gross carrying amount on Dec. 31, 2018	113,537	229,929	44,862	30,783	419,111
Cumulative depreciation/amortization and impairment losses	(46,758)	(131,593)	(30,720)	—	(209,071)

Depreciation on property, plant and equipment is included in the functional expenses, in the cost of sales in particular.

(16) Other equity investments and financial investments

The financial investment in RENK UAE LLC, Abu Dhabi/United Arab Emirates, was recognized at a fair value of € 3,527 thousand as part of the first-time adoption of IFRS 9. This was written down to its fair value of € 552 thousand as of the end of the reporting period. As the changes in value will not be recognized until the financial investment is sold, it appears appropriate to recognize the changes in value in other comprehensive income. Applying a practical expedient, the financial investment was recognized at amortized cost in the amount of € 774 thousand in the previous year. For information on the remeasurement of the financial investment, please see "New and revised accounting pronouncements and methods", which explains the changes due to IFRS 9.

The equity investments in Renk Gears Private Ltd., Bangalore/India, Renk Korea Co., Ltd., Busan/South Korea, and Damen Schelde Gears B.V., Vlissingen/Netherlands, which were acquired/founded in the previous year, were reported at a cost of € 5,392 thousand.

(17) Inventories

€ thousand	Dec. 31, 2018	Dec. 31, 2017
Raw materials, consumables and supplies	27,414	26,371
Finished goods and work in progress	166,894	153,393
Prepayments for inventories	2,269	739
	196,578	180,503

Consumption of inventories of € 313 million (previous year: € 294 million) was recognized in the cost of sales in the reporting period.

Write-downs on inventories of € 1,550 thousand were recognized in fiscal year 2018 (previous year: € 2,415 thousand).

(18) Trade receivables

€ thousand	Dec. 31, 2018	Dec. 31, 2017
Customer receivables	96,516	73,636
Receivables from affiliated companies	8,337	6,665
Receivables from customer-specific construction contracts (PoC receivables)(1)	—	7,582
	104,854	87,883

(1) Including receivables from affiliated companies of € 138 thousand in the previous year.

The "Receivables from customer-specific construction contracts (PoC receivables)" reported in the previous year qualify as contract assets in fiscal year 2018; please see the section below. In line with the operating cycle, all trade receivables are reported as current.

(19) Contract assets

€ thousand	Dec. 31, 2018	Dec. 31, 2017
Contract assets from customers	5,591	—
Contract assets from associates	127	—
	5,718	—

For information on contract assets, please see "New and revised accounting pronouncements and methods", which explains the changes due to IFRS 15.

Contract assets developed as follows in fiscal year 2018. The prior-year figures are not shown on account of the modified retrospective application of IFRS 15:

€ thousand	2018
As of Jan. 1	7,496
Additions and disposals	(1,816)
Changes in valuation allowances	16
Currency changes	22
As of Dec. 31	5,718

(20) Loss allowances

The allowances for expected credit losses on trade receivables and contract assets under contracts with customers developed as follows in fiscal year 2018:

€ thousand	2018
As of Jan. 1[1]	1,359
Addition	495
Utilization	(26)
Reversal	(50)
Currency translation differences	13
As of Dec. 31	1,791

(1) The amount carried forward includes the effect of the first-time adoption of IFRS 9. Please see "New and revised accounting pronouncements and methods".

The following changes in the gross carrying amounts of trade receivables and contract assets affected the amount of the loss allowances recognized:

€ thousand	2018
As of Jan. 1	88,819
Additions and disposals	23,192
Currency translation differences	352
As of Dec. 31	112,363

For information on the recognition of loss allowances for expected credit losses, please see "New and revised accounting pronouncements and methods", which explains the changes due to IFRS 9.

Specific valuation allowances on trade receivables recognized in the previous year were as follows:

€ thousand	2017
As of Jan. 1	613
Addition	20
Utilization	(344)
Reversal	(31)
Currency translation differences	(14)
As of Dec. 31	244

There were specific valuation allowances on receivables with a gross carrying amount of € 118 thousand in fiscal year 2017.

The portfolio-based allowances on trade receivables recognized in the previous year developed as follows:

€ thousand	2017
As of Jan. 1	651
Addition	87
Reversal	(42)
Currency translation differences	(4)
As of Dec. 31	692

(21) Other non-current and current assets and receivables

€ thousand	Dec. 31, 2018	Dec. 31, 2017
Customer prepayment receivables	15,448	—
Other tax assets	2,413	2,500
Prepaid expenses	2,029	788
Commission claims	1,890	1,539
Derivative financial instruments	3	796
Miscellaneous other assets	475	781
	22,257	6,404

For information on customer prepayment receivables, please see "New and revised accounting pronouncements and methods", which explains the changes due to IFRS 15.

Other assets break down as follows according to maturity:

€ thousand	Dec. 31, 2018	Dec. 31, 2017
Other non-current assets and receivables	6	158
Other current assets and receivables	22,251	6,246
	22,257	6,404

Derivative financial instruments are carried at fair value. They are used to hedge currency risks on customer orders and other foreign exchange positions.

(22) Cash and cash equivalents

€ thousand	Dec. 31, 2018	Dec. 31, 2017
Bank balances, checks, cash in hand	243	263
Receivables from financial transactions with MAN SE	185,457	198,290
	185,700	198,553

Receivables from financial transactions with MAN SE essentially result from the central cash pooling of the MAN Group. These investments are of a temporary nature and are only subject to insignificant risks of fluctuations in value.

(23) Equity

The share capital of RENK AG of € 17,920,000 is divided into 7 million no-par value shares with equal rights. All shares are fully paid up. MAN SE, Munich, held 76% of the subscribed capital of RENK AG until December 31, 2018. On December 31, 2018, MAN SE sold all its shares in RENK AG to Volkswagen Klassik GmbH, Wolfsburg.

A total of 199,903 treasury shares or 2.86% of the share capital (share of capital: € 512 thousand) were held by the company on December 31, 2018. The capital reserves relate exclusively to share premiums in the context of capital increases by RENK AG. The accumulated other comprehensive income predominantly results from the fair value measurement of provisions for pension obligations.

In accordance with the provisions of the German Stock Corporation Act, the net retained profits of the Group parent RENK AG are available for distributions. The net retained profits of RENK AG amount to € 27,050 thousand as of December 31, 2018. The Executive Board and the Supervisory Board propose to the Annual General Meeting on April 7, 2019 the distribution of a dividend for fiscal 2018 unchanged as against the previous year of € 2.20 per share. With 7,000,000 no-par value shares less the treasury shares without dividend rights in accordance with section 71b of the *Aktiengesetz* (AktG—German Stock Corporation Act) (199,903 shares), this corresponds to an amount of € 14,960,213.40. Shareholders' entitlement to the dividend arises only with the resolution by the Annual General Meeting.

The most important goals of capital management at RENK are sustainably increasing enterprise value and safeguarding the liquidity and creditworthiness of the Group. Factors contributing to this are the reduction of the cost of capital, the optimization of the capital structure and effective risk management.

RENK AG is not subject to any capital requirements on the basis of its Articles of Association.

(24) Pensions and similar obligations

The RENK Group grants its employees retirement benefits in accordance with the country-specific circumstances in the form of defined benefit or defined contribution pension plans.

In defined contribution plans, contributions are paid to state or private pension funds on the basis of legal or contractual regulations. There are no further payment obligations other than the payment of contributions.

Current contributions are recognized as an expense in the respective year; in 2018 they amounted to a total of € 11,666 thousand (previous year: € 11,283 thousand) in the RENK Group. The amounts relating to Germany were paid to the statutory pension system in full as a contribution.

The following amounts were recognized in the statement of financial position for defined benefit pension plans:

€ thousand	2018	2017
Present value of externally financed obligations	164,939	157,261
Plan assets at fair value	(149,346)	(147,266)
Funding status on December 31	15,593	9,994
Present value of unfunded obligations	428	480
Surplus in accordance with IAS 19.64	—	31
Carrying amount on December 31	16,021	10,505
of which provisions for pension obligations	16,023	10,505
of which Other receivables	2	—

(a) Pension plans in Germany

As one of the essential elements of its remuneration policy, the RENK Group provides its domestic employees with benefits under a modern and attractive occupational pension system for the time after their active working life. This provides reliable additional income on retirement and risk protection for disability and death.

Under the current pension plans, the active employees receive employer contributions linked to their remuneration and, in addition, also have the option of personal provision through deferred compensation (paid for by the employer for employees subject to collective bargaining agreements). When actively working, employees accrue pension capital from employer- and employee-financed contributions and returns from investment on the capital market. On retirement this pension capital is paid out as a lump sum or in installments, or in certain cases can be converted into an annuity. Employees’ investment risks are gradually reduced with increasing age (lifecycle concept). The performance of the pension capital is derived from the return on the investments. As required by law, at least the total contributions paid for the employee will be paid out on retirement.

Former employees, pensioners or employees who have left the plan with vested benefits have pension commitments from closed pension funds, which are predominantly geared towards providing lifetime annuity payments. These commitments entail the usual longevity and inflation risks, which are regularly monitored and evaluated.

The domestic pension assets of the RENK Group are managed by the MAN Pension Trust e.V. and MAN Pensionsfonds AG. These assets are irrevocably unavailable to the RENK companies and must be used exclusively to fund current pension payments or for employee claims in the event of insolvency. The proper management and use of trust assets is monitored by independent trustees. MAN Pensionsfonds AG is also subject to the supervision of the German Federal Financial Supervisory Authority (BaFin).

The pension assets are invested by professional investment managers according to investment guidelines set by an Investment Committee. The strategic allocation of plan assets is based on asset liability management studies conducted at regular intervals.

(24) Pensions and similar obligations (Continued)

(b) Pension plans outside Germany

In Switzerland, the defined benefit pension claims and the actuarial reserves are managed in an industry-wide company pension institution. Employees accrue pension capital with this institution, which is then converted into a lifelong pension under the conditions prevailing at the time. The pension institution is managed conservatively based on government regulations. If the claims are no longer covered by capital due to negative market developments, restructuring contributions can be levied from the affiliated employers and their employees.

Obligatory post-employment benefits are paid in France.

(c) Funding status

The calculation of the present value of defined benefit pension obligations is based on the following assumptions:

	Germany		Outside Germany (1)	
in %	**2018**	**2017**	**2018**	**2017**
Discount rate as of Dec. 31	1.70	1.60	0.76	0.73
Salary trend	3.50	3.60	1.02	1.02
Pension trend	1.50	1.50	—	—
Fluctuation rate	4.37	4.39	8.23	7.73

(1) Weighted average rates

The biometric data are based on current mortality tables for each specific country. For Germany, the Heubeck 2005 G mortality tables were adjusted in line with empirical data specific to MAN, most recently in 2017, and therefore better reflect mortality than the updated RT2018G mortality tables published in the fiscal year. The BVG 2015 GT mortality tables were used for Switzerland.

Discount rates are based on the yields on corporate bonds with high credit ratings, with a maturity and currency matching the respective obligations. Pension and pay trends either correspond to contractual adjustments or are based on those found in the general regulations applicable. Pay trends comprise expected wage and salary increases that also take into account increases resulting from career development.

The present value of defined benefit obligations developed as follows:

€ thousand	**2018**	**2017**
Defined benefit obligation on January 1	157,740	158,318
Current service cost	5,030	4,945
Interest expense	2,245	2,204
Actuarial gains (−)/losses (+) due to changes in demographic assumptions	(369)	1,450
Actuarial gains (−)/losses (+) due to changes in financial assumptions	(1,277)	35
Actuarial gains (−)/losses (+) due to experience adjustments	(936)	487
Employee contributions to funds	1,342	1,271
Pension payments from company assets	(1,409)	(3,397)
Pension payments from fund	(3,798)	(5,007)
Other changes	5,509	21
Currency differences from plans abroad	1,290	(2,588)
Defined benefit obligation on December 31	165,367	157,740

The other cash flow resulting from a partial liquidation balance sheet of the Swiss pension institution is reported under “Other changes”.

(24) Pensions and similar obligations (Continued)

Changes in the main actuarial assumptions would have had the following effects on defined benefit obligations:

Defined benefit obligation		Dec. 31, 2018 € thousand	Dec. 31, 2018 %	Dec. 31, 2017 € thousand	Dec. 31, 2017 %
Discount rate	+0.5 percentage points	157,225	(5.2)	149,772	(5.3)
	(0.5) percentage points	174,526	5.3	166,717	5.4
Salary trend	+0.5 percentage points	165,740	0.2	158,070	0.2
	(0.5) percentage points	165,047	(0.2)	157,462	(0.2)
Pension trend	+0.5 percentage points	172,369	4.1	164,278	4.0
	(0.5) percentage points	158,965	(4.0)	151,757	(3.9)
Longevity	+1 year	168,618	1.9	160,815	1.9

The sensitivity analyses shown each take into account the change in one assumption with the other assumptions unchanged from the original calculation, i.e. possible correlation effects between the individual assumptions are not taken into account.

To analyze the sensitivity of the defined benefit obligation to a change in the assumed life expectancy, the age of beneficiaries was increased by one year as part of a comparative calculation.

As in the previous year, the weighted average term to maturity (Macaulay duration) of the defined benefit pension obligations is eleven years.

The defined benefit obligation is divided among the members of the plan as follows:

€ thousand	2018	2017
Active members	91,961	88,617
Former members	7,162	6,339
Beneficiaries	66,244	62,784
Defined benefit obligation	165,367	157,740

The maturity profile of the payments for the defined benefit obligation is shown below by breaking down the present value of the obligation by the maturity of the underlying payments:

€ thousand	2018	2017
Payment due		
Within one year	6,813	6,526
Between one and five years	27,617	25,447
More than five years	130,937	125,767
Defined benefit obligation	165,367	157,740

The development of plan assets is shown by the table below:

€ thousand	2018	2017
Plan assets on January 1	147,266	143,245
Interest income from plan assets—in amount of interest rate	2,143	2,039
Return on plan assets not recognized in interest income	(4,714)	7,734
Employer contributions to funds	1,064	1,006
Employee contributions to funds	637	600
Pension payments from fund	(3,798)	(5,007)
Other changes	5,509	21
Currency differences from plans abroad	1,239	(2,372)
Plan assets on December 31	149,346	147,266

The investment of plan assets resulted in losses of € 2,571 thousand (previous year: income of € 9,773 thousand), € 2,013 thousand (previous year: income of € 8,457 thousand) of which related to Germany and € 558 thousand (previous year: income of € 1,316 thousand) of which to other countries.

The other cash flow resulting from a partial liquidation balance sheet of the Swiss pension institution is reported under “Other changes”.

In the next fiscal year employer contributions to plan assets are expected to amount to € 4,374 thousand (amount stated in previous year: € 4,028 thousand).

(24) Pensions and similar obligations (Continued)

The plan assets are invested in the following categories:

€ thousand	Dec. 31, 2018 Quoted price on an active market	Dec. 31, 2018 No quoted price on an active market	Dec. 31, 2018 Total	Dec. 31, 2017 Quoted price on an active market	Dec. 31, 2017 No quoted price on an active market	Dec. 31, 2017 Total
Cash and cash equivalents	6,650	—	6,650	5,624	—	5,624
Equity instruments	7,641	—	7,641	6,187	—	6,187
Debt instruments	12,307	—	12,307	10,147	—	10,147
Direct investments in real estate	—	8,598	8,598	—	6,383	6,383
Equity funds	27,045	—	27,045	29,282	—	29,282
Pension funds	41,349	—	41,349	48,849	—	48,849
Real estate funds	5,685	—	5,685	5,336	—	5,336
Other funds	—	1,332	1,332	—	1,310	1,310
Other	4,006	34,732	38,738	2,688	31,462	34,149
Plan assets at fair value	104,683	44,663	149,346	108,111	39,155	147,266

The plan assets are 30% (previous year: 29%) invested in domestic assets, 50% (previous year: 52%) in other European assets and 20% (previous year: 19%) in assets from other regions.

(d) Expenses for pension obligations

The following amounts were recognized in the income statement:

€ thousand	2018	2017
Current service cost	5,030	4,945
Net interest expense (+)/income (-)	103	165
	5,133	5,110

(25) Other non-current and current provisions

€ thousand	As of Jan. 1, 2018	Utilization	Addition	Reversal	Interest cost	Other[1]	As of Dec. 31, 2018
Warranties	32,105	(5,480)	5,800	(3,914)	—	34	28,545
Outstanding costs	7,199	(1,635)	2,176	(1,646)	—	47	6,141
Obligations to employees	9,472	(1,721)	2,281	(402)	49	4	9,683
Miscellaneous other provisions	8,194	(624)	1,464	(1,453)	—	127	7,708
	56,969	(9,460)	11,721	(7,415)	49	213	52,077

(1) Including currency translation differences

Other provisions break down as follows according to maturity:

€ thousand	Dec. 31, 2018 Non-current	Dec. 31, 2018 Current	Dec. 31, 2017 Non-current	Dec. 31, 2017 Current
Warranties	2,652	25,893	2,102	30,003
Outstanding costs	—	6,141	—	7,199
Obligations to employees	5,015	4,668	5,095	4,376
Miscellaneous other provisions	888	6,820	855	7,339
	8,555	43,522	8,052	48,917

(25) Other non-current and current provisions (Continued)

Provisions for warranties relate to legal and contractual warranty obligations and to goodwill towards customers. The timing of the utilization of provisions for warranties is dependent on the occurrence of the warranty claim and can extend over the entire warranty and goodwill period. In particular, the reversal of the provision for warranties also includes the agreement with a Standard Gear Units customer. Provisions for outstanding costs were recognized for outstanding services for invoiced customer contracts, contract components and obligations under maintenance and service agreements.

Non-current obligations to employees relate in particular to partial retirement and anniversaries. Current obligations to employees primarily relate to planned expenditure for staff restructuring measures in the Standard Gear Units segment.

Miscellaneous other provisions essentially relate to provisions for anticipated losses from onerous contracts and penalties.

(26) Trade payables

€ thousand	Dec. 31, 2018	Dec. 31, 2017
Trade payables	39,407	34,635

There are trade payables to affiliated companies of € 1,782 thousand (previous year: € 1,041 thousand).

(27) Contract liabilities

€ thousand	Dec. 31, 2018	Dec. 31, 2017
Contract liabilities, non-current	81,993	70,606
Contract liabilities, current	66,163	71,055
Liabilities from customer prepayment receivables(1)	14,229	—
Contract liabilities	162,385	141,661

(1) The net figure as of December 31, 2018 contains only current amounts.

For information on contract liabilities, please see “New and revised accounting pronouncements and methods”.

Contract liabilities amounted to € 1,949 thousand (previous year: € 701 thousand). The contract liabilities of € 71,055 thousand reported as of December 31, 2017 were recognized as sales revenue in fiscal year 2018.

Contract liabilities developed as follows in fiscal year 2018. The prior-year figures are not shown on account of the modified retrospective application of IFRS 15:

€ thousand	2018
As of January 1	150,894
Additions and disposals	11,303
Currency changes	188
As of December 31	162,385

(28) Other non-current and current liabilities

€ thousand	Dec. 31, 2018	Dec. 31, 2017
Employee-related liabilities	27,809	26,616
Social security liabilities	1,320	982
Liabilities from other taxes	1,107	415
Derivative financial instruments	259	43
Deferred income	33	—
Miscellaneous other liabilities	948	1,190
	31,476	29,246

Employee-related liabilities mainly include wages, salaries and social security contributions not yet paid at the end of the reporting period, deferred vacation not yet taken and annual bonuses.

Other liabilities break down as follows according to maturity:

€ thousand	Dec. 31, 2018	Dec. 31, 2017
Other non-current liabilities	171	76
Other current liabilities	31,305	29,170
	31,476	29,246

Other Disclosures

(29) Contingent liabilities

€ thousand	Dec. 31, 2018	Dec. 31, 2017
Repayment obligations	—	14
	—	14

With regard to the liabilities of RENK subsidiaries from their business relationship with MAN SE, RENK AG has issued MAN SE a perpetual payment guarantee that is unlikely to be utilized in light of the comfortable liquidity position.

Contingent liabilities are usually measured in the amount of the maximum claims on RENK. Any rights of recourse are not deducted.

(30) Other financial obligations

Other financial obligations comprise rental and lease agreements. These are mainly building rentals and vehicle leases. The maturities of future rental and lease payments until the end of their minimum term are as follows:

€ thousand	Dec. 31, 2018	Dec. 31, 2017
Due within one year	1,084	1,521
Due between one and five years	3,228	3,406
Due after more than five years	1,053	1,726
	5,365	6,653

The purchase commitment for the acquisition of intangible assets and property, plant and equipment was € 11,742 thousand as of the end of the reporting period (previous year: € 2,666 thousand). The commitment value for the acquisition of inventories and services was € 115,911 thousand (previous year: € 88,202 thousand). The financial obligations to third parties under investment projects initiated were within normal limits.

(31) Additional information on financial instruments

This section contains additional information on the significance of financial instruments and on individual items of the statement of financial position and the income statement that relate to financial instruments.

The following table shows the reconciliation of statement of financial position items to the classes of financial instruments as of December 31, 2018, broken down by carrying amounts and fair values of financial instruments, and the allocation of statement of financial position items to the measurement categories.

	At fair value				Hedging derivative financial instruments	Not assigned to an IFRS 9 measurement category	Statement of financial position item as of Dec. 31, 2018
	In other comprehensive income(1)	In profit or loss(2)	At amortized cost(3)				
€ thousand	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets							
Other and financial investments	2,975	—	—	—	—	8,307	11,282
Other financial assets	—	3	—	—	—	—	3
Current assets							
Trade receivables	—	—	104,854	104,854	—	—	104,854
Contract assets(4)	—	—	—	—	—	5,718	5,718
Other financial assets	—	—	15,800	15,800	—	—	15,800
Cash and cash equivalents	—	—	185,700	185,700	—	—	185,700
Non-current liabilities							
Other financial liabilities	—	120	—	—	—	—	120
Current liabilities							
Trade payables	—	—	39,407	39,407	—	—	39,407
Other financial liabilities	—	1,200	929	929	—	—	2,129

(1) Corresponds to the measurement category "Financial assets measured at fair value through other comprehensive income" under IFRS 9.

(2) Corresponds to the measurement category "Financial instruments measured at fair value through profit or loss" under IFRS 9.

(3) Corresponds to the measurement category "Financial instruments measured at amortized cost" under IFRS 9.

(4) New statement of financial position item in accordance with IFRS 15. Please see "New and revised accounting pronouncements and methods".

(31) Additional information on financial instruments (Continued)

The following table shows the carrying amounts, the measurement categories by class, the fair values and the fair value hierarchy under IFRS 7 as of December 31, 2017:

€ thousand	At fair value: In other comprehensive income[(1)]	At fair value: In profit or loss[(2)]	At amortized cost[(3)]		Hedging derivative financial instruments	Not covered by IFRS 7	Statement of financial position item as of Dec. 31, 2017
	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets							
Other and financial investments	774	—	—	—	—	8,305	9,079
Other financial assets	—	10	7	7	109	—	126
Current assets							
Trade receivables	—	—	87,883	87,883	—	—	87,883
Other financial assets	—	490	2,188	2,188	188	—	2,866
Cash and cash equivalents	—	—	198,553	198,553	—	—	198,553
Non-current liabilities							
Other financial liabilities	—	—	—	—	—	—	—
Current liabilities							
Trade payables	—	—	34,635	34,635	—	—	34,635
Other financial liabilities	—	43	1,132	1,132	—	—	1,175

(1) Corresponds to the measurement category “Available for sale financial assets” under IAS 39.

(2) Corresponds to the measurement category “Financial instruments measured at fair value through profit or loss” under IAS 39.

(3) Includes the measurement categories “Loans and receivables” and “Financial liabilities at amortized cost”.

The cumulative carrying amounts of financial instruments as of December 31, 2018, broken down by IFRS 9 measurement category, are as follows:

€ thousand Measurement category in accordance with IFRS 9	Dec. 31, 2018: Assets	Dec. 31, 2018: Equity and liabilities
Financial assets at fair value through other comprehensive income	2,975	—
Financial instruments at fair value through profit or loss	3	1,320
Financial instruments at amortized cost	306,353	40,336

The cumulative prior-year amounts of financial instruments, assigned to IAS 39 measurement category, are as follows:

€ thousand Measurement category in accordance with IAS 39	Dec. 31, 2017: Assets	Dec. 31, 2017: Equity and liabilities
Available-for-sale financial assets	774	—
Financial instruments measured at fair value through profit or loss	796	43
Loans and receivables	288,632	—
Financial liabilities at amortized cost	—	35,767

For a structurally revised presentation of the categories of financial instruments, please see “New and revised accounting pronouncements and methods”.

The fair values were calculated based on the market conditions at the end of the reporting period and the measurement methods described below. They are the prices at which one party would assume the rights or obligations from these financial instruments from an independent third party. There were no significant changes since the previous year in the measurement methods applied.

(31) Additional information on financial instruments (Continued)

Cash and cash equivalents, trade receivables, other financial assets, trade payables and miscellaneous financial liabilities predominantly have a short remaining term. Their carrying amounts as of the end of the reporting period therefore approximately match their fair value.

Financial assets at fair value through other comprehensive income include equity shares of € 2,975 thousand for which the RENK Group exercises the option for measurement at fair value through other comprehensive income. In the previous year, equity interests of € 774 thousand were included in available-for-sale financial assets, and were measured at cost applying the practical expedient. Please see "New and revised accounting pronouncements" for information on the reclassification of other and financial investments.

In addition to the effects recognized in the context of first-time adoption, changes in value of € 552 thousand were recognized in other comprehensive income in the reporting period. In particular, the respective corporate planning and the company-specific discount rates are used to measure the equity instrument at fair value (level 3). Of the inputs used to calculate the fair value of the equity investment, only the cost of capital before taxes has changed compared to December 31, 2017. This was 7.7% as of December 31, 2018 (December 31, 2017: 8.0%). A change in the significant, unobservable inputs has no significant effect on equity or profit after tax, either in isolation or combination.

Total dividends of € 1,979 thousand were received in the reporting period (previous year: € 1,217 thousand).

The future cash flows for derivative financial instruments without option components, particularly currency forwards, are calculated using forward curves. The fair value of these instruments is the total of the discounted cash flows. The options on currency pairs are measured on the basis of standard option pricing models, i.e. generalized Black-Scholes formulas.

Financial assets and liabilities measured at fair value are level 2 of the fair value hierarchy with the exception of other equity investments, which are level 3.

The following table provides an overview of the fair value of the financial assets and liabilities at amortized cost by level:

€ thousand	Dec. 31, 2018	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	—	—	—	—
Current assets				
Trade receivables	104,854	—	104,854	—
Other financial assets	15,800	—	15,800	—
Cash and cash equivalents	185,700	185,700	—	—
Current liabilities				
Trade payables	39,407	—	39,407	—
Other financial liabilities	929	—	929	—

€ thousand	Dec. 31, 2017	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	7	—	7	—
Current assets				
Trade receivables	87,883	—	87,883	—
Other financial assets	2,188	—	2,188	—
Cash and cash equivalents	198,553	198,553	—	—
Current liabilities				
Trade payables	34,635	—	34,635	—
Other financial liabilities	1,132	—	1,132	—

(31) Additional information on financial instruments (Continued)

Fair value hierarchy:

The classification and reporting of the fair values of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and breaks down as follows:

Level 1:

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2:

Inputs other than quoted prices included within level 1 that are observable for an asset or liability either directly (as a price) or indirectly (derived from prices). The fair values of level 2 financial instruments are calculated based on the conditions at the end of the reporting period, such as interest rates or exchange rates, and using recognized models, such as discounted cash flow models or option pricing models.

Level 3:

Input data used for the measurement of the asset or liability not based on observable market data (unobservable inputs). For level 3 receivables the fair value is determined taking into account individual loss expectations that are essentially based on assumptions by the company regarding the counterparty's credit.

In the fiscal years 2018 and 2017 there were no reclassifications between levels 1 and 2 and no reclassifications into or out of level 3.

The interest income and expenses generated in connection with financial assets and financial liabilities are as follows:

€ thousand	2018	2017
Interest income	129	194
Interest expense	(228)	(208)

Interest income on impaired financial assets is of secondary importance due to the usually short time before the expected payment.

The following tables contain information on the offsetting effects on the consolidated statement of financial position and the financial impact of offsetting in the case of instruments which are subject to a legally enforceable master offsetting agreement or similar agreement.

The "Financial instruments" column shows the amounts that are the subject of a master offsetting agreement, but that cannot be offset because the conditions have not been met. Offsetting can only occur given certain future events, such as the insolvency of one of the parties. The columns "Collateral received" and "Collateral provided" show the amounts of cash collateral or collateral in the form of financial instruments received/pledged in relation to the total amount of assets and liabilities.

Financial assets

	Carrying amount in statement of financial position	Amounts not offset in the statement of financial position		
€ thousand	Net amount of financial assets	Financial instruments	Collateral received	Net amount on Dec. 31, 2018
Derivative financial instruments	3	(3)	—	—

(31) Additional information on financial instruments (Continued)

€ thousand	Carrying amount in statement of financial position	Amounts not offset in the statement of financial position		Net amount on Dec. 31, 2017
	Net amount of financial assets	Financial instruments	Collateral received	
Derivative financial instruments	797	(43)	—	753

Financial liabilities

€ thousand	Carrying amount in statement of financial position	Amounts not offset in the statement of financial position		Net amount on Dec. 31, 2018
	Net amount of financial liabilities	Financial instruments	Collateral provided	
Derivative financial instruments	1,320	(3)	—	1,317

€ thousand	Carrying amount in statement of financial position	Amounts not offset in the statement of financial position		Net amount on Dec. 31, 2017
	Net amount of financial liabilities	Financial instruments	Collateral provided	
Derivative financial instruments	43	(43)	—	—

The net gains and losses from financial instruments are shown in the tables below:

€ thousand	2018
Financial assets at amortized cost	1,359
Assets at fair value through other comprehensive income	(552)
Financial liabilities at amortized cost	(1,077)
Assets and liabilities at fair value through profit or loss	1,210
Net gain (+)/net loss (–)	940

For a structurally revised presentation of the categories of financial instruments, please see "New and revised accounting pronouncements and methods".

Net gains and losses from financial assets measured at amortized cost essentially contain changes in valuation allowances and currency translation and the reversal of impairment losses.

The net gains or losses from assets at fair value through other comprehensive income comprise the net income from other and financial investments.

€ thousand	2017
Loans and receivables	(191)
Available-for-sale financial assets	1,217
Financial liabilities at cost	(1,095)
Financial assets and liabilities at fair value through profit or loss	218
Net gain (+)/net loss (–)	149

The net gains or losses from financial assets and liabilities measured at fair value through profit or loss include changes in the fair value of derivative financial instruments not used in hedge accounting.

The net gains or losses from financial liabilities at cost mainly result from currency translation.

(32) Derivative financial instruments and hedging strategies

On account of its business activities and international orientation, the assets, liabilities and planned transactions of the RENK Group are subject to market, credit and liquidity risks. There is a Group-wide risk management system to identify, quantify and mitigate these risks. RENK was integrated into the MAN SE risk management system in fiscal year 2018 and uses the instruments thus available.

(a) Risk management of the MAN Group

The companies hedge their currency risks at market conditions via the central Group Treasury of MAN SE. This uses primary and predominantly derivative financial instruments. In countries where exchange control regulations or regulatory provisions do not allow MAN SE to hedge its risks, foreign currency interest and money market transactions are entered into by MAN SE in the name and on behalf of the respective Group company. Derivative financial instruments are recognized on the trade date.

The risk positions of the Group are hedged externally with banks within predetermined risk limits by Group Treasury. Hedging is carried out with due regard for banks' risk management requirements and is subject to stringent monitoring, which is guaranteed in particular by the strict separation of functions in trading, settlement and control.

Liquidity management and investment in the MAN Group is centralized under Group-wide cash management. When investing cash and cash equivalents, financial institutions and investment vehicles are carefully selected and diversified with a limit system. The limits and their utilization are reviewed regularly. The majority of cash and cash equivalents are held in cash deposits at banks with an investment grade rating.

The Executive Board and the Supervisory Board of MAN SE are regularly informed about the market price risks of the MAN Group. Compliance with policies is monitored by the internal audit function.

(b) Currency risk at RENK

For each RENK company there is a currency risk if it performs transactions and incurs future cash flows in a currency other than its functional currency. To reduce the effect of exchange rate fluctuations, the RENK companies continuously quantify the exchange risk and hedge all material risks by using currency forwards and options.

In the RENK Group, all firm customer contracts, its own orders, receivables and liabilities in foreign currency are hedged. Currencies with a high correlation to the euro, such as the Danish krone, and equity investments or equity-type loans in foreign currencies, if at all relevant, are only hedged in individual cases. In addition, there is hedging for planned sales revenue in foreign currency from series production business within defined hedging ranges and, occasionally, for customer projects whose materialization is highly probable. The Executive Board of RENK is regularly informed of the currency positions of the RENK Group.

As of the end of the reporting period, RENK's foreign exchange exposure is primarily from transactions in USD, CHF, JPY and CNY. Thanks to the currency forwards and options in place for these currencies, RENK was not exposed to any significant risks.

In the previous year, these hedges were accounted for as cash flow hedges in the RENK Group. Together with the first-time adoption of IFRS 9—Financial Instruments, it was decided not to use hedge accounting in the future.

In connection with cash flow hedges, total unrealized gains and losses of € 1,397 thousand were recognized in equity in the previous year for the measurement of derivatives (before tax). Over the course of the past fiscal year realized gains and losses of € −511 thousand were taken from equity to profit or loss for the period.

(32) Derivative financial instruments and hedging strategies (Continued)

In a sensitivity analysis, the primary and derivative financial instruments in place at the end of the reporting period were measured in a hypothetical scenario. The effects of a 10% appreciation/depreciation of a currency per currency pair as of December 31, 2018 and December 31, 2017 are as follows:

€ thousand	Dec. 31, 2018 Equity		Dec. 31, 2018 Net profit/loss for the period	
Currency pair	+10%	(10)%	+10%	(10)%
Euro/US dollar	—	—	5,733	(5,733)
Euro/Swiss franc	—	—	(1,308)	1,308
Euro/Chinese yuan	—	—	179	(179)
Euro/Pound sterling	—	—	(92)	92
Euro/Japanese yen	—	—	118	(118)
Euro/Norwegian krone	—	—	+0	(0)
Swiss franc/US dollar	—	—	(23)	23

€ thousand	Dec. 31, 2017 Equity		Dec. 31, 2017 Net profit/loss for the period	
Currency pair	+10%	(10)%	+10%	(10)%
Euro/US dollar	1,910	(1,910)	10	(10)
Euro/Swiss franc	—	—	(1,628)	1,628
Euro/Chinese yuan	—	—	90	(90)
Euro/Pound sterling	—	—	(33)	33
Euro/Japanese yen	—	—	72	(72)
Euro/Norwegian krone	—	—	4	(4)

(c) Commodity price risk at RENK

RENK is exposed to the risk of changes in commodity prices and their availability, i.e. commodity procurement risk, both in connection with the procurement of the means of production but also in the procurement of energy (electricity, gas, oil, etc.).

As far as possible, this risk is countered by fixed price agreements with suppliers. Owing to the variety of commodities used and the resulting quantities, each comparatively small, the hedging of prices using corresponding instruments on the financial markets is not a substantial alternative for RENK. RENK had no commodity derivatives in fiscal year 2018.

There were no significant risk clusters in the past fiscal year.

(d) Credit risk at RENK

On account of its operating activities, RENK is exposed to credit risk, i.e. the risk that a counterparty does not meet its contractual obligations and thus causes a financial loss. Credit risks include direct counterparty risk and the risk of a deterioration in credit quality.

The maximum credit risk is reflected by the carrying amounts of financial assets reported in the statement of financial position. Credit risks are minimized, and risk provisions calculated, mainly with the following measures:

Sovereign and counterparty risks arising from business operations are continuously assessed locally. Security levels and forms are determined based on this. Outstanding debts are also continuously monitored locally. If default risks arise, allowances are recognized. Credit risk is limited by various, sometimes country-specific, forms of security. Letters of credit, credit insurance, guarantees, warranties, retention of title and customer prepayments are used. In project business, the risk of default is minimized by prepayments and by obtaining collateral.

(32) Derivative financial instruments and hedging strategies (Continued)

RENK recognizes appropriate loss allowances for expected credit losses in connection with its business operations. It also performs an ongoing assessment of all financial assets measured at amortized cost. Allowances on trade receivables and contract assets are calculated using a provision matrix with provision rates graded according to the aging analysis of receivables. Specific valuation allowances are recognized if there is objective evidence of credit losses or other contractual anomalies. Other financial receivables and cash and cash equivalents are checked for cash shortfalls using a general three-stage approach.

There were no significant clusters in terms of credit risk in the RENK Group in the past fiscal year.

The credit risks of the financial assets can be grouped into the following risk classes:

	Dec. 31, 2018		
	Risk class 1	Risk class 2	Risk class 3
€ thousand	Receivables—without evidence of credit impairment	Credit-impaired receivables	Defaulted receivables
Stage 1: 12-month expected credit loss	200,281	—	—
Stage 2: Lifetime expected credit losses (not impaired)	—	—	—
Stage 3: Lifetime expected credit losses (impaired)	—	—	—
Purchased or originated credit-impaired financial instruments	—	—	—
Simplified approach: Lifetime expected credit losses	106,063	5,146	4,192
	306,343	5,146	4,192

Level 1 essentially comprises the receivables from the central financial management of the MAN Group and other cash and cash equivalents. As these are due on demand, loss allowances are not recognized on these financial assets for the sake of simplicity.

Loss allowances are recognized based on maturity profiles and provision rates for expected credit losses for receivables that are not impaired. Specific valuation allowances are recognized if there is objective evidence of impairment on the receivables in question.

For a structurally revised presentation of maturity profiles, please see "New and revised accounting pronouncements and methods".

Maturities of financial assets not impaired as of December 31, 2017:

€ thousand	2017
up to 30 days past due	8,584
31-60 days	2,024
61-90 days	3,321
91-365 days	2,544
> 1 year	535
Assets, past due, not impaired	17,008
Assets, not past due, not impaired	74,908
Carrying amounts of financial assets not impaired	91,916

To cover the credit risk of these receivables and of receivables not past due, impairment losses were recognized at group level based on historical experience in the previous year.

Regarding the receivables and other financial assets that are neither impaired nor past due, there are no indications of a default in payment as of the end of the reporting period.

In line with the nature of RENK's inclusion in the central financial management of the MAN Group agreed with MAN SE, a significant portion of RENK's financial assets is concentrated on a single partner, MAN SE. This portion is therefore subject in principle to the same risks that MAN SE as a whole is exposed. These risks are limited by the risk management mechanisms installed at MAN SE.

(32) Derivative financial instruments and hedging strategies (Continued)

(e) Liquidity risk at RENK

Liquidity risk describes the risk that the RENK Group is unable to adequately meet its payment obligations or can raise liquidity only at a higher price.

RENK was included in the liquidity management system of the MAN Group in the year under review. To limit this risk, inflows and outflows of cash and maturities are monitored and managed at all times. Financing requirements are covered by both operating cash flow and external financing. There were therefore no significant risk clusters in the past fiscal year.

Cash for the operating units is essentially managed centrally as part of cash pooling. The cash and cash equivalents of the Group companies and MAN SE are merged daily. Thus, liquidity surpluses and requirements can be managed as necessary. For external financing, the opportunities on the financial markets are tracked continuously to ensure financial flexibility and to limit refinancing risks.

In certain countries (such as Brazil and China), the Group can only dispose over local cash and cash equivalents internationally in compliance with the applicable foreign exchange restrictions. Other than this there are no significant restrictions.

Cash and cash equivalents are essentially used to finance working capital and short-term obligations. Management is informed regularly about cash inflows and outflows.

The cash flows at RENK are dominated by the maturities arising from business operations. These are predominantly of a short-term nature. Cash clearing takes place through the inclusion in the central financial management of the MAN Group.

The following table shows how the cash flows of liabilities, derivative financial instruments and contingent liabilities affect RENK's liquidity situation:

Maturities[(1)]

	Dec. 31, 2018			Dec. 31, 2017		
€ thousand	2019	2020 to 2023	> 2023	2018	2019 to 2022	> 2022
Cash outflows from primary financial liabilities	41,536	112	8	35,767	—	—
of which trade payables	39,407	—	—	34,635	—	—
of which other financial liabilities	2,129	112	8	1,132	—	—
Cash outflows from liability derivative financial instruments and gross fulfillment[(2)]	(34,668)	(21,398)	(1,027)	(2,216)	—	—
Associated cash inflows	32,939	19,733	861	2,138	—	—
Potential cash outflows from contingent liabilities[(3)]	—	—	—	14	—	—
of which for repayment obligations	—	—	—	14	—	—

(1) The procedure for calculating the amounts was as follows:

- If the maturity date is not fixed, the liability is assigned to the earliest maturity date.
- Interest payments for floating rate interest are taken into account in line with the conditions as of the end of the reporting period.
- It is assumed that the cash outflows will not occur earlier than shown.

(2) In accordance with the requirements of IFRS 7, only undiscounted cash flows of the contractual interest and principal payments are shown.

(3) There are guarantee obligations for guarantees under trade obligations. The maximum possible cash outflows are shown. The amounts are assumed to be due in the first year.

(32) Derivative financial instruments and hedging strategies (Continued)

(f) Breakdown of hedging instruments by type of hedge

There was no hedge accounting in fiscal year 2018. Hedge accounting was used in the previous year. The following table contains the fair values of the previous year's hedging instruments that related to currency forwards.

€ thousand	Dec. 31, 2018 with a positive market value	Dec. 31, 2018 with a negative market value	Dec. 31, 2017 with a positive market value	Dec. 31, 2017 with a negative market value
Cash flow hedge	—	—	297	—
	—	—	297	0

(33) Remuneration of the Executive Board

The remuneration of the members of the Executive Board of RENK Aktiengesellschaft consists of fixed remuneration and variable remuneration (see remuneration report). Furthermore, members of the Executive Board receive a pension commitment.

Total Executive Board remuneration in accordance with section 314(1) no. 6a HGB and IFRS amounts to € 1,840 thousand in the fiscal year (previous year: € 1,774 thousand).

The table below shows the individual remuneration for the active members of the Executive Board for 2018 (2017).

€ thousand	Florian Hofbauer 2018	Florian Hofbauer 2017	Christian Hammel 2018	Christian Hammel 2017	Total 2018	Total 2017
Fixed remuneration[(1)]	303	286	294	281	597	567
Variable remuneration[(2)]	524	519	466	462	989	981
Pension cost	134	101	119	95	253	196
Total	961	906	879	838	1,840	1,744
Present value of pension obligation	2,406	2,315	424	324	2,830	2,639

(1) Non-performance-based remuneration component including additional benefits

(2) Performance-based remuneration component: 2018—according to figures currently available, 2017—according to final figures

Short-term employee benefits comprise fixed and variable remuneration. The pension cost and the present value of the pension obligations are assigned to the accumulated post-employment benefit obligation. There are no other long-term employee benefits, termination benefits or share-based payments.

There was no subsequent adjustment of the bonus in variable remuneration in 2018 or in the previous year.

The reported pension cost exclusively comprises the service cost incurred in the respective fiscal year.

The pension benefits for former members of the Executive Board of the company and their surviving dependents amounted to € 264 thousand (€ 262 thousand). Total provisions of € 3,520 thousand were recognized for pension obligations to former members of the Executive Board and their surviving dependents (previous year: € 3,686 thousand).

Information on the members of the Executive Board, including their memberships of other statutory supervisory boards and similar executive bodies, can be found in the "Members of the Supervisory Board and the Executive Board and their mandates" section.

(34) Supervisory Board

The remuneration of the members of the Supervisory Board is regulated in the Articles of Association. They provide for fixed remuneration of € 10,000. The chair of the Supervisory Board receives double the

(34) Supervisory Board (Continued)

fixed remuneration, the deputy chair and the chair of a committee one and a half times this amount, a committee member 1.25 times the amount. There is no separate remuneration for the chair or members of the Mediation Committee. If members perform several functions, remuneration is based on the function with the highest remuneration entitlement.

Any expenses arising are also reimbursed.

Remuneration of the Supervisory Board in €

Name	Membership period	Total
Dr. Ingrun-Ulla Bartölke	Full year	—
Roberto Armellini*	Full year	15,000
Michael Behrendt	Full year	15,000
Hardy Brennecke	Full year	—
Joachim Drees	Full year	12,500
Lothar Evers*	from April 27	6,778
Rainer Handschuh*	until April 27	4,063
Christiane Hesse	Full year	—
Frank Hoffmann	until April 27	—
Thorsten Jablonski	Full year	—
Adela Lieb	from April 27	6,778
Klaus Refle*	from April 27	8,472
Karina Schnur*	from April 27	8,472
Mario Sommer*	from April 27	6,778
Herbert Surmann*	until April 27	4,063
Walter Vogt*	until April 27	4,063
Ingo Weidner*	until April 27	3,250
Total 2018		95,217
Total 2017		92,341

* These employee representatives have declared that they pay their Supervisory Board remuneration to the Hans Böckler Foundation in accordance with German Trade Union Confederation policy.

The employee representatives on the Supervisory Board also employed at RENK additionally receive their standard pay as employees. Information on the members of the Supervisory Board, including their memberships of other statutory supervisory boards and similar executive bodies, can be found in the corresponding section.

(35) German Corporate Governance Code

In December 2018, the Executive Board and the Supervisory Board issued the declaration of compliance reproduced below in accordance with section 161 of the German Stock Corporation Act (AktG):

"The Executive Board and the Supervisory Board of RENK AG declare that the recommendations of the Government Commission on the German Corporate Governance Code as amended on February 7, 2017 promulgated by the Federal Ministry of Justice on April 24, 2017 in the official section of the *Bundesanzeiger* (the Federal Gazette) were complied with in the period since the last Declaration of Conformity was issued in December 2017 and are still complied with, with the exception of items 4.2.3(2) sentence 3 (forward-looking variable remuneration), 5.4.1(6) to (8) (disclosure of proposals of candidates for election) and 7.1.1 sentence 2 (intra-year financial information).

1.) The recommendation of item 4.2.3(2) sentence 3 is not complied with in that the assessment base for variable remuneration components is not essentially forward-looking. The current remuneration system is based on the recommendation found in the version of the Code dated May 5, 2015. As the Supervisory Board considers a long-term assessment basis that is essentially forward-looking to be

(35) German Corporate Governance Code (Continued)

appropriate, an adjustment of the remuneration system in line with the recommendations of the current version of the Code is being prepared.

2.) Regarding the recommendation in items 5.4.1(6) to (8) of the Code on the disclosure of certain circumstances of nominations by the Supervisory Board to the Annual General Meeting, the requirements of the Code are unspecific and unclear in their application. A departure from the Code as regards this matter has thus been declared as a precaution. Regardless of this, the Supervisory Board will endeavor to comply with the requirements of items 5.4.1(6) to (8) of the Code.

3.) The recommendation of item 7.1.1 sentence 2 (intra-year financial information) is not complied with as the Executive Board and Supervisory Board of RENK AG consider an obligation to release quarterly publications in addition to the statutory requirement of the *Wertpapierhandelsgesetz* (WpHG—German Securities Trading Act) to be unnecessary.”

(36) Segment reporting

The activities of the RENK Group are still divided into the reportable segments Special Gear Units, Vehicle Transmissions, Standard Gear Units and Slide Bearings. The management of each of these segments reports directly to the Executive Board of RENK AG in its function as the responsible chief operating decision maker.

The Special Gear Units segment comprises large-gear production at RENK AG’s Augsburg site and RENK-MAAG GmbH, Winterthur, Switzerland. The product range extends from stationary gear units for a variety of industrial applications, to turbo gear units, to complex gear units for fast craft and naval applications.

The Vehicle Transmissions segment is a leading manufacturer of fully automatic transmissions for medium-weight and heavy tracked vehicles, and also offers a broad range of powerful test rigs for a variety of industries. It comprises the corresponding activities at RENK AG’s Augsburg site, the French subsidiary RENK France S.A.S., Saint-Ouen-l’Aumône, RENK Test System GmbH (RTS) in Augsburg and its US sales company RENK Systems Corporation, Camby (IN), USA.

The Standard Gear Units segment includes large-gear production at RENK AG’s Rheine site. It specializes in marine gear units for merchant shipping, LNG/LPG tankers, special ships and offshore wind turbine gear units. It also manufactures gear units for turbine plants and couplings for industrial applications.

The Slide Bearings segment at RENK AG’s Hanover site and the American sales company RENK Corporation, Duncan (SC), USA, primarily supply hydrodynamic, lubricated slide bearings. These are used for electric motors, generators, pumps, blowers, water turbines, conveyors and marine applications.

The financial performance indicators for segments are sales revenue, operating profit and operating return on sales. The operating return on sales is the ratio of the operating profit generated to sales revenue. The non-financial performance indicator is order intake as measured by reference to binding incoming orders. Segment information is determined applying the same accounting policies as those used in the preparation of the consolidated financial statements. Transactions between segments are performed on an arm’s length basis.

(36) Segment reporting (Continued)

Segment information by segment

	Special Gear Units		Vehicle Transmissions		Standard Gear Units		Slide Bearings		Consolidation		Group	
€ thousand	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Order intake from third parties	205,886	151,328	168,007	122,556	71,050	78,772	83,992	81,447	—	—	528,935	434,103
Order intake from other segments	1,714	2,281	2,960	1,566	4,688	9,676	838	2,465	(10,201)	(15,989)	—	—
Total order intake	207,601	153,609	170,968	124,122	75,738	88,448	84,830	83,912	(10,201)	(15,989)	528,935	434,103
Sales revenue with third parties	168,814	160,775	174,422	149,149	73,838	72,717	85,144	86,765	—	—	502,218	469,406
Sales revenue with other segments	2,025	1,655	2,965	1,767	5,047	5,216	1,481	1,517	(11,518)	(10,155)	—	—
Total sales revenue	170,839	162,430	177,388	150,916	78,885	77,933	86,625	88,282	(11,518)	(10,155)	502,218	469,406
Order backlog Dec. 31	276,068	239,473	419,481	426,343	57,893	61,313	30,973	32,643	(10,531)	(11,847)	773,883	747,925
Operating profit	5,234	10,988	37,352	26,698	6,459	8,303	11,170	14,113	(2)	(55)	60,213	60,047
Capital expenditure	14,067	7,902	14,407	7,011	5,410	2,059	1,477	1,763	—	—	35,361	18,735
Depreciation[1]	7,266	7,405	5,890	5,658	3,448	3,534	2,489	2,405	(81)	(77)	19,012	18,925
Operating return on sales	3.1%	6.8%	21.1%	17.7%	8.2%	10.7%	12.9%	16.0%	—	—	12.0%	12.8%

(1) Depreciation and amortization did not include impairment losses for either fiscal year 2018 or the previous year.

(36) Segment reporting (Continued)

Segment information by region

€ thousand	Germany	Rest of Europe	Other regions	Total
2018				
Sales revenue	161,515	180,267	160,436	502,218
Payments to acquire property, plant and equipment and intangible assets	29,911	5,350	100	35,361
2017				
Sales revenue	146,866	183,566	138,974	469,406
Payments to acquire property, plant and equipment and intangible assets	15,935	2,630	170	18,735

(37) List of shareholdings of RENK AG as of December 31, 2018

Name and registered office of the company	Share of capital in %	Local currency (LC)	Exchange rate (EUR/LC)	Equity (1,000 LC)	Result (1,000 LC)
RENK France S.A.S., Saint-Ouen-l'Aumône, France	100	EUR	1	21,720	1,052
RENK Corporation, Duncan, South Carolina, USA	100	USD	1.1453	12,884	1,347
RENK Test System GmbH, Augsburg	100	EUR	1	17,226	8,585
RENK Systems Corporation, Camby, Indiana, USA	100	USD	1.1453	2,141	1,319
RENK Transmisyon Sanayi A.S., Istanbul, Turkey(1)	55	TRY	4.5324	6,539	1,720
RENK UAE LLC, Abu Dhabi, United Arab Emirates(1)	49	AED	4.4032	25,012	9,551
COFICAL RENK MANCAIS DO BRASIL LTDA, Guaramirim, Brazil(1)	98	BRL	3.9707	21,106	1,962
RENK-MAAG GmbH, Winterthur, Switzerland	100	CHF	1.1264	17,466	1,737
RENK Shanghai Service and Commercial Co., Ltd. Shanghai, China(1)	100	CNY	7.8009	3,786	(680)
RENK (UK) Ltd., London, UK (inactive)	100	GBP	n/a	n/a	n/a
Renk Gears Private Ltd., Bangalore/India(1)	100	INR	76.5670	108,000	(6,429)
Renk Korea Co., Ltd., Busan/South Korea(1)	100	KRW	1,278.2200	757,453	(142,547)
Schelde Gears B.V. (formerly: Damen Schelde Gears B.V.), Vlissingen/ Netherlands(1)	100	EUR	1	1,361	559

(1) As of: December 31, 2017

(38) Equity investments in RENK AG

In accordance with section 33(1) WpHG, RENK AG was informed by the controlling shareholders of Porsche Automobil Holding SE, Stuttgart, on January 4, 2019 that, effective from midnight on December 31, 2018, the 76% share of the voting rights (5,320,000 voting rights) in RENK AG was

(38) Equity investments in RENK AG (Continued)

transferred by MAN SE, Munich, to Volkswagen Klassik GmbH, Wolfsburg, (a wholly owned subsidiary of Volkswagen Aktiengesellschaft, Wolfsburg) in the context of an internal corporate restructuring.

All the above 5,320,000 voting rights are attributed to Volkswagen Aktiengesellschaft, Porsche Automobil Holding SE and their controlling shareholders in accordance with section 34(1) sentence 1 no. 1 WpHG through Volkswagen Klassik GmbH.

RENK AG was not advised of, nor is it aware of, any other direct or indirect shareholdings in the capital of the company exceeding 10% of the voting rights or the relevant reporting thresholds of the German Securities Trading Act.

(39) Related party disclosures

Related parties as defined by IAS 24 are natural persons and companies that can be influenced by RENK AG, that can significantly influence RENK AG or that are influenced by another related party of RENK AG.

Given its shareholding of 76% in RENK AG, Volkswagen Klassik GmbH is its parent company and therefore a related party of RENK. This also applies to the subsidiaries of Volkswagen Klassik GmbH and the related parties of Volkswagen Klassik GmbH itself. In particular, these include Traton AG, Volkswagen Aktiengesellschaft and Porsche Automobil Holding SE with all their affiliated companies.

Exchanges of goods and services between RENK and its related parties are conducted as at arm's length.

Essentially the following types of transactions are performed with subsidiaries of the Volkswagen Klassik Group:

- Deliveries of goods to MAN Energy Solutions companies, in particular gear units and bearings for ships and turbines, plus test rigs and related services.
- Sourcing from MAN Energy Solutions companies, mainly primary materials for gear unit production such as cast components.

The exchange of goods and services with companies of the Traton Gruppe, Volkswagen and the Porsche Group essentially relates to the following transactions:

- Other services and reciprocal services with MAN SE, such as debit and credit interest from intercompany payment transactions, and cost reimbursements for other services.
- Delivery of test rigs and related services to company of the Volkswagen or Porsche Group. RENK purchases services, e.g. in the context of vehicle leases.

There was no exchange of goods or services with the parent company of Volkswagen Klassik GmbH in the reporting period. The extent of relationships between RENK and MAN SE in the previous year was as follows:

€ thousand	2017
Services rendered (income)	56
Services received (expense)	855
Receivables (Dec. 31)	199,086
Liabilities (Dec. 31)	43

The table below shows the extent of relationships with other companies of the Volkswagen Klassik Group, Volkswagen and the Porsche Group:

€ thousand	2018	2017
Services rendered (income)	25,674	22,363
Services received (expense)	6,509	5,270
Receivables (Dec. 31)	190,874	4,855
Liabilities (Dec. 31)	3,801	1,497

(39) Related party disclosures (Continued)

MAN SE provided RENK companies with direct and indirect guarantees of € 7,193 thousand and derivative hedges with a nominal value of € 61,744 thousand as of December 31, 2018. There were receivables of € 185,457 thousand (previous year: € 198,290 thousand) from cash management with MAN SE and other MAN companies as of December 31, 2018.

Other related parties are the subsidiaries of the RENK Group that are not included in the consolidated financial statements. The exchange of services essentially comprises the supply of parts and the performance of services at market rates. The following table shows the extent of services:

€ thousand	2018	2017
Services rendered (income)	6,254	6,138
Services received (expense)	2,968	1,449
Receivables (Dec. 31)	3,190	1,948
Liabilities (Dec. 31)	1,250	246

Trade receivables from and trade payables to affiliated companies are reported under notes (18) and (24). There are financial obligations to affiliated companies under operating leases of € 105 thousand (previous year: € 190 thousand).

Outstanding items in connection with related parties are not collateralized, nor had valuation allowances been recognized as of the end of the reporting period.

Related parties of RENK also include persons who can influence or be influenced by RENK AG, such as the members of the Executive Board and Supervisory Board of RENK AG, the members of the management of Volkswagen Klassik GmbH, the members of the Executive Board and Supervisory Board of Traton AG and the members of the Executive Board and Supervisory Board of Volkswagen AG.

Please see "Remuneration of the Executive Board" and "Supervisory Board" for disclosures required in accordance with IAS 24 on management remuneration for key positions.

(40) Events after the end of the reporting period

RENK AG signed a purchase agreement to acquire a group of companies in January 2019. The purchase price will be an eight-figure amount. The implementation of the purchase agreement and the payment of the purchase price are dependent on a series of conditions, including official approval. Approvals are expected to be granted during the first half of 2019. The group of companies being purchased manufactures products that complement Vehicle Transmissions business. Assuming the success of the acquisition, RENK expects that, given its size, the acquired group of companies will be included in the consolidated financial statements.

There were no other significant events after December 31, 2018 with a material effect on the net assets, financial position and results of operations.

Members of the Supervisory Board and the Executive Board and their mandates

(41) Supervisory Board

Dr. Ingrun-Ulla Bartölke
Wolfsburg
Chairwoman of the Supervisory Board

Head of Group Accounting and External Reporting at Volkswagen Aktiengesellschaft

Volkswagen Bank GmbH(2)
SEAT S.A., Spain(4)

Roberto Armellini(*)
Augsburg
Deputy Chairman of the Supervisory Board

Managing Director of IG Metall Augsburg

VALEO Schalter und Sensoren GmbH (Deputy Chairman)(1)
AGCO Fendt GmbH(1)

Michael Behrendt
Hamburg, Germany

Chairman of the Supervisory Board of Hapag-Lloyd AG

Barmenia Allgemeine Versicherungs-AG (Deputy Chairman)(1)
Barmenia Krankenversicherung a. G. (Deputy Chairman)(1)
Barmenia Lebensversicherung a. G. (Deputy Chairman)(1)
Esso Deutschland GmbH(1)
ExxonMobil C. E. Holding GmbH(1)
Hapag-Lloyd AG (Chairman)(1)
MAN Energy Solutions SE(1)
MAN SE(1)
MAN Truck & Bus AG(1)

Hardy Brennecke
Wolfenbüttel

Head of the Executive Office for the Commercial Vehicles division of Volkswagen Aktiengesellschaft
Secretary
Secretary General of TRATON AG

Joachim Drees
Stuttgart

Member of the Executive Board of TRATON AG
Chairman of the Executive Board of MAN SE
Chairman of the Executive Board of MAN Truck & Bus AG

Veritas AG(1)
Volkswagen Financial Services AG(1)
MAN Energy Solutions SE(2)
Sinotruk (Hong Kong) Ltd., China(3)

Lothar Evers(*)
Rheine
Member of the Supervisory Board since April 27, 2018

Chairman of the Works Council RENK AG, Rheine plant

(41) Supervisory Board (Continued)

Rainer Handschuh(*)
Augsburg
Member of the Supervisory Board until April 27, 2018

Former Chairman of the Group Works Council of RENK AG
Former Chairman of the Works Council of RENK AG, Augsburg plant and
RENK Test
System GmbH

Christiane Hesse
Wunstorf

Member of the Board of Management (Human Resources and Organization) of Volkswagen Financial Services AG

EURO-Leasing GmbH(4)
MAN Financial Services GmbH(4)
MAN Financial Services (SA) (RF) (Pty) Ltd., South Africa (Chairwoman)(4)
VDF Faktoring A.S., Turkey (Chairwoman)(4)
VDF Filo Kiralama A.S., Turkey (Chairwoman)(4)
VDF Servis ve Ticaret A.S., Turkey (Chairwoman)(4)
VDF Sigorta Aracilik Hizmetleri A.S., Turkey (Chairwoman)(4)
Volkswagen Doğuş Finansman A.S., Turkey (Chairwoman)(4)
Volkswagen Financial Services Digital Solutions GmbH(4)
Volkswagen Financial Services South Africa (Pty) Ltd., South Africa (Chairwoman)(4)

Frank Hoffmann(*)
Augsburg
Member of the Supervisory Board until April 27, 2018

Head of Vehicle Transmissions at RENK AG, Augsburg

Thorsten Jablonski
Ilsede

Head of Transmissions and Electric Drive for Volkswagen Aktiengesellschaft

Volkswagen Automatic Transmission (Dalian) Co., Ltd., China (Chairman)(4)
Volkswagen Automatic Transmission (Tianjin) Co., Ltd., China(4)
Volkswagen Transmission (Shanghai) Company Ltd., China(4)

Adela Lieb(*)

Augsburg
Member of the Supervisory Board since April 27, 2018

General Manager for Commercial Administration, Finance and Controlling at
RENK Test System GmbH

Klaus Refle(*)
Bobingen
Member of the Supervisory Board since April 27, 2018

Chairman of the Group Works Council of RENK AG,

Chairman of the Works Council of RENK AG, Augsburg plant and RENK Test System GmbH

Karina Schnur(*)
Reichertshofen
Member of the Supervisory Board since April 27, 2018

Secretary General for the Codetermination of MAN Truck & Bus AG

(41) Supervisory Board (Continued)

MAN Energy Solutions SE[1]
MAN SE[1]
MAN Truck & Bus AG[1]
MAN Truck & Bus Deutschland GmbH[1]

Mario Sommer[*]
Augsburg
Member of the Supervisory Board since April 27, 2018

Process planner for cubic parts production in the Vehicle Transmissions segment of RENK AG

Herbert Surmann[*]
Rheine
Member of the Supervisory Board until April 27, 2018

Former Chairman of the Works Council RENK AG, Rheine plant

Walter Vogt[*]
Eltville
Member of the Supervisory Board until April 27, 2018

Labor union secretary at IG Metall Executive Board, Frankfurt/Main

Baugenossenschaft Darmstadt eG[1]
IBM Deutschland GmbH[1]

Mercedes-Benz Bank AG[1]

Ingo Weidner[*]
Hanover
Member of the Supervisory Board until April 27, 2018

Member of the Works Council of RENK AG, Hanover plant

As of December 31, 2018 or, if earlier, date of resignation.

(42) Committees of the Supervisory Board

Members of the Committee for Management Board Personnel
Dr. Ingrun-Ulla Bartölke (Chairwoman)
Roberto Armellini (Deputy Chairman)
Joachim Drees
Klaus Refle

Members of the Nomination Committee
Dr. Ingrun-Ulla Bartölke
Joachim Drees

Members of the Mediation Committee
Dr. Ingrun-Ulla Bartölke (Chairwoman)
Roberto Armellini (Deputy Chairman)
Joachim Drees
Klaus Refle

(*) elected by employees

(1) Memberships of statutory supervisory boards in Germany

(2) Memberships of statutory supervisory boards in Germany (Group mandates)

(3) Memberships of statutory supervisory boards in Germany and abroad (Group mandates)

(4) Memberships of comparable supervisory bodies in Germany and abroad (Group mandates)

(42) Committees of the Supervisory Board (Continued)

Members of the Audit Committee
Michael Behrendt (Chairman)
Klaus Refle (Deputy Chairman)
Dr. Ingrun-Ulla Bartölke
Karina Schnur

(43) The Executive Board

Dipl.-Ing. (FH) Florian Hofbauer
Landsberg
Spokesperson
Engineering and Sales

RENK Shanghai Service and Commercial Co., Ltd., China[(1)]

Dipl.-Kfm. (Univ.) Christian Hammel
Munich
Administration and Production

RENK Gears Private Ltd., India[(1)]
RENK Korea Co., Ltd., Korea[(1)]

Augsburg, February 8, 2019

RENK Aktiengesellschaft
The Executive Board

Florian Hofbauer Christian Hammel

(1) Memberships of comparable supervisory bodies in Germany and abroad (Group mandates)

Responsibility statement

To the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Augsburg, February 8, 2019

RENK Aktiengesellschaft
The Executive Board

Florian Hofbauer Christian Hammel

The following auditor's report (*Bestätigungsvermerk*) has been issued in accordance with Section 322 of the German Commercial Code (*Handelsgesetzbuch*) on the consolidated financial statements and group management report (*Konzernlagebericht*) of Renk Aktiengesellschaft as of and for the fiscal year ended December 31, 2018. The group management report is neither included nor incorporated by reference in this Offering Memorandum.

INDEPENDENT AUDITOR'S REPORT

To Renk Aktiengesellschaft, Augsburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Renk Aktiengesellschaft, Augsburg, and its subsidiaries (the Group), which comprise the consolidated income statement for the financial year from 1 January to 31 December 2018, the Reconciliation to Total Comprehensive Income for the Period, the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Renk Aktiengesellschaft for the financial year from 1 January to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Management and measurement of inventories

❷ Completeness and measurement of provisions for warranty obligations arising from sales

❸ Revenue recognition over time

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ Management and measurement of inventories

① EUR 27 million in raw materials, consumables and supplies, EUR 167 million in work in progress, and EUR 2 million in prepayments were recognized under "Inventories" in the consolidated statement of financial position of Renk Aktiengesellschaft, Augsburg. From our point of view, this balance sheet item is of particular importance due to its material amount and the fact that the measurement of inventories is to a large extent based on estimates and assumptions made by management. The reliability of the processes and controls put in place is also a material requirement for managing inventories of work in progress.

② Given that the management and measurement complexity of inventories gives rise to an increased risk of accounting misstatements, we assessed the Group's processes and controls relating to the management and measurement of inventories. Our specific audit approach included testing of the controls and substantive audit procedures, in particular:

- observing stocktaking at multiple sites;
- auditing the measurement of inventories.

We verified the appropriateness of the systems, processes and controls in place, and that the estimates and assumptions made by management are sufficiently substantiated and documented.

③ The Company's disclosures relating to inventories are contained in notes (3)(g) and (17) to the consolidated financial statements.

❷ Completeness and measurement of provisions for warranty obligations arising from sales

① In the consolidated financial statements of Renk Aktiengesellschaft, Augsburg, EUR 29 million in provisions for obligations arising from sales are reported under the "Other provisions" balance sheet item. These obligations arise under statutory and contractual guarantee obligations with customers. Warranty claims are calculated on the basis of losses to date and estimated future losses. In addition, assumptions must be made about the nature and extent of future warranty claims. These assumptions are based on qualified estimates.

From our point of view, this matter was of particular importance for our audit because the recognition and measurement of this material item is to a large extent based on estimates and assumptions made by the Company's management.

② With the knowledge that estimated values result in an increased risk of accounting misstatements and that the measurement decisions made by management have a direct and significant effect on consolidated net profit/loss, we assessed the appropriateness of the carrying amounts, including by comparing these figures with historical data and using the measurement bases presented to us. We evaluated the entire calculations for the provisions using the applicable measurement inputs and assessed the planned timetable for utilizing the provisions.

In doing so, we were able to satisfy ourselves that the estimates applied and the assumptions made by management were sufficiently documented and supported to justify the recognition and measurement of the provisions for warranty obligations arising from sales.

③ The Company's disclosures on other provisions are contained in notes (3)(m) and (25) to the consolidated financial statements.

❸ Revenue recognition over time

① In the consolidated income statement of Renk Aktiengesellschaft, Augsburg revenue recognized over time amounting to EUR 21 million are reported. Revenue for this material item is recognized in accordance with the performance obligation satisfied over time. This issue was of particular importance for our audit due to the complexity of the applicable accounting standard and the requirement for estimates and assumptions on the part of management with corresponding ranges from an accounting point of view.

② As part of our audit, we evaluated the processes and controls established by the Group for the purposes of recognizing revenue from customer-specific construction contracts. On this basis, we evaluated the determination of the degree of completion of customer-specific construction contracts on the basis of the cost-to-cost method and the resulting proportion of revenue and profit recognized. For this purpose, we satisfied ourselves of the progress of the respective projects, among other things based on interviews with project managers and by inspecting project documentation.

We were able to satisfy ourselves of the appropriateness of the systems, processes and controls in place, and that the estimates and assumptions made by management are sufficiently documented and substantiated.

③ The Company's disclosures on customer-specific construction contracts are contained in note (3)(a), (3)(h) and (6) to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the group statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code

The other information comprises further the remaining parts of the annual report—excluding cross-references to external information—with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 27 April 2018. We were engaged by the supervisory board on 20 August 2018. We have been the group auditor of the Renk Aktiengesellschaft, Augsburg, without interruption since the financial year 2010.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Holger Graßnick.

Munich, February 8, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Klaus Schuster Wirtschaftsprüfer (German Public Auditor)	Holger Graßnick Wirtschaftsprüfer (German Public Auditor)

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