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

HEAT EXCHANGERS

Galapagos Holding S.A.
Galapagos S.A.

to acquire

HX Holding GmbH and GEA Air Treatment GmbH

€325,000,000	**Senior Secured Floating Rate Notes due 2021**
€200,000,000 5.375%	**Senior Secured Fixed Rate Notes due 2021**
€250,000,000 7.000%	**Senior Notes due 2022**

Galapagos S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 26-28, rue Edward Steichen, L-2540 Luxembourg and being registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés Luxembourg*) under number B 186 314 (the "Senior Secured Notes Issuer"), is offering €325,000,000 aggregate principal amount of its Senior Secured Floating Rate Notes due 2021 (the "Senior Secured Floating Rate Notes") and €200,000,000 aggregate principal amount of its 5.375% Senior Secured Fixed Rate Notes due 2021 (the "Senior Secured Fixed Rate Notes" and, together with the Senior Secured Floating Rate Notes, the "Senior Secured Notes"), and Galapagos Holding S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 26-28, rue Edward Steichen, L-2540 Luxembourg and being registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés Luxembourg*) under number B 186 312 (the "Senior Notes Issuer" and, together with the Senior Secured Notes Issuer, the "Issuers," and each an "Issuer"), is offering €250,000,000 aggregate principal amount of its 7.000% Senior Notes due 2022 (the "Senior Notes"), as part of the financing for the proposed acquisition (the "Acquisition") from GEA Group Aktiengesellschaft of the Target (as defined herein) by Blitz F14-206 GmbH ("Blitz"), an indirect wholly owned subsidiary of the Issuers. The Senior Secured Notes and the Senior Notes are collectively referred to herein as the "Notes," unless the context requires otherwise.

The Senior Secured Notes Issuer will pay interest on the Senior Secured Floating Rate Notes quarterly in arrears on each March 15, June 15, September 15 and December 15, commencing on September 15, 2014. Prior to June 15, 2015, the Senior Secured Notes Issuer will be entitled, at its option, to redeem all or a portion of the Senior Secured Notes by paying a "make-whole" premium. At any time on or after June 15, 2015, the Senior Secured Notes Issuer may redeem all or part of the Senior Secured Floating Rate Notes by paying the redemption prices set forth in this offering memorandum. The Senior Secured Notes Issuer will pay interest on the Senior Secured Fixed Rate Notes semi-annually in arrears on each June 15 and December 15, commencing on December 15, 2014. Prior to June 15, 2017, the Senior Secured Notes Issuer will be entitled, at its option, to redeem all or a portion of the Senior Secured Fixed Rate Notes by paying a "make-whole" premium. At any time on or after June 15, 2017, the Senior Secured Notes Issuer may redeem all or part of the Senior Secured Fixed Rate Notes by paying the redemption prices set forth in this offering memorandum. In addition, prior to June 15, 2017, the Senior Secured Notes Issuer may redeem at its option no more than 40% of the Senior Secured Fixed Rate Notes with the net cash proceeds from certain equity offerings by paying a specified redemption price. Prior to June 15, 2017, the Senior Secured Notes Issuer may also redeem up to 10% of the principal amount of the Senior Secured Fixed Rate Notes in each 12-month period commencing on the Issue Date at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest, if any. The Senior Notes Issuer will pay interest on the Senior Notes semi-annually in arrears on each June 15 and December 15, commencing on December 15, 2014. Prior to June 15, 2017, the Senior Notes Issuer will be entitled, at its option, to redeem all or a portion of the Senior Notes by paying a "make-whole" premium. At any time on or after June 15, 2017, the Senior Notes Issuer may redeem all or part of the Senior Notes by paying the redemption prices set forth in this offering memorandum. In addition, prior to June 15, 2017, the Senior Notes Issuer may redeem at its option no more than 40% of the Senior Notes with the net cash proceeds from certain equity offerings by paying a specified redemption price. In the event of certain developments affecting taxation, each Issuer may redeem all, but not less than all, of the Notes, as applicable. Upon the occurrence of certain events constituting a change of control, the Issuers may be required to make an offer to repurchase all of the Notes, as applicable, at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. A change of control will not be deemed to have occurred on one occasion if certain consolidated leverage ratios are not exceeded as a result of a Specified Change of Control Event.

Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the offerings of the Notes less certain deduction into three escrow accounts for the benefit of the holders of the Notes. The release of escrow proceeds will be subject to the satisfaction of certain conditions, including the closing of the Acquisition. The consummation of the Acquisition is subject to certain conditions, including regulatory approval. If the Acquisition is not consummated on or prior to March 31, 2015 and 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 interest from the issue date of the Notes to the date of special mandatory redemption. See "*Description of the Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Description of the Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*." The Senior Secured Notes and the Senior Secured Notes Guarantees (as defined herein) will be secured by first-priority security interests over the Senior Secured Notes Collateral (as defined herein) and the Senior Notes and the Senior Notes Guarantees (as defined herein) will be secured by second-priority security interests over the Shared Collateral (as defined herein) and by first-priority security interests over Senior Notes Only Collateral (as defined herein).

This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg act dated July 10, 2005 on prospectuses for securities, as amended. The Issuers have applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange (the "LxSE") and traded on the LxSE's Euro MTF market (the "Euro MTF Market"), which is not a regulated market within the meaning of Directive 2004/39/EC on markets in financial instruments, as amended.

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 31.

Senior Secured Floating Rate Notes Issue Price: 100.000% plus accrued interest, if any, from the Issue Date.
Senior Secured Fixed Rate Notes Issue Price: 100.000% plus accrued interest, if any, from the Issue Date.
Senior Notes Issue Price: 100.000% plus accrued interest, if any, from the Issue Date.

The Notes and the Notes Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"). The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the U.S. Securities Act ("Rule 144A") and to certain persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. See "*Notice to Investors*" for additional information about eligible offerees and transfer restrictions.

Delivery of the Notes has been made to investors in book entry form through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"), in each case on or about May 30, 2014.

Joint Bookrunners

Deutsche Bank | **Commerzbank** | **ING** | **RBC Capital Markets** | **The Royal Bank of Scotland** | **UniCredit Bank**

The date of this offering memorandum is May 23, 2014

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We have not authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in this offering memorandum. You must not rely on unauthorized information or representations.

This offering memorandum does not offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities.

The information in this offering memorandum is current only as of the date on its cover page, and may change after that date. For any time after the cover date of this offering memorandum, we do not represent that our affairs are the same as described or that the information in this offering memorandum is correct—nor do we imply those things by delivering this offering memorandum or selling securities to you.

IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

IN CONNECTION WITH THIS OFFERING, DEUTSCHE BANK AG, LONDON BRANCH (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 A 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 IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

We are providing this offering memorandum only to prospective purchasers of the Notes.

You are responsible for making your own examination of us and our business and your own assessment of the merits and risks of investing in the Notes. You may contact us if you need any additional information. By purchasing the Notes, you will be deemed to have acknowledged that:

- you have reviewed this offering memorandum;
- you have had an opportunity to request any additional information that you need from us; and
- the Initial Purchasers are not responsible for, and are not making any representation to you concerning, our future performance or the accuracy or completeness of this offering memorandum.

We are not providing you with any legal, business, tax, investment or other advice in this offering memorandum. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes.

This offering memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this offering memorandum. You must also obtain any consents or approvals that you need in order to purchase any Notes. We and the Initial Purchasers are not responsible for your compliance with these legal requirements.

We are offering the Notes in reliance on exemptions from the registration requirements of the U.S. Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The Notes have not been recommended by any U.S. federal, state or any non-U.S. securities authorities, nor have any such authorities determined that this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offense in the United States.

The Notes are subject to restrictions on resale and transfer as described under "*Notice to Investors*" and "*Plan of Distribution*." By purchasing any Notes, you will be deemed to have made certain acknowledgments, representations and agreements as described in those sections of this offering memorandum. You may be required to bear the financial risks of investing in the Notes for an indefinite period of time.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge and belief (which we have taken all reasonable care to ensure is the case), the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the fullest extent permitted by law, the Initial Purchasers do not accept any responsibility for the contents of this offering memorandum or for any other statement made or purported to be made by the Issuers in connection with the issue and offering of the Notes. The Initial Purchasers accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it 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 either 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.

We and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed.

The information contained in "*Currency Presentation and Exchange Rate Information*" includes extracts from information and data publicly released by official and other sources. While we accept responsibility for accurately summarizing the information concerning exchange rate information, we accept no further responsibility in respect of such information. The information set out in relation to sections of this offering memorandum describing clearing and settlement arrangements, including the section entitled "*Book-Entry, Delivery and Form*" is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear Bank SA/NV ("Euroclear") or Clearstream Banking *société anonyme* ("Clearstream") currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information.

Delivery of the Notes has been made against payment on the Notes on or about the date specified on the cover page of this offering memorandum, which took place four business days (as such term is used for purposes of Rule 15c6-1 under the U.S. Exchange Act of 1934, as amended, (the "U.S. Exchange Act")) following the date of pricing of the Notes (this settlement cycle is being referred to as “T + 4”). Under Rule 15c6-1 under the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

NOTICE TO U.S. INVESTORS

The Notes will be sold outside the United States to non-U.S. persons pursuant to Regulation S and within the United States to qualified institutional buyers (“QIBs”) pursuant to Rule 144A. The Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, registration requirements of the U.S. Securities Act. The Notes may not be offered, sold or delivered (i) as part of an Initial Purchaser’s distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the latest closing date, within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to Rule 144A, and each dealer to which Notes have been sold during the distribution compliance period will be sent a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S. See “*Notice to Investors*.”

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This offering memorandum has not been approved by an ‘authorized person’ in the United Kingdom and is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order or (iii) 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, as amended (the “FSMA”)) in connection with the issue or sale of any Notes may otherwise lawfully 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 document relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. The Notes are being offered solely to “qualified investors” as defined in the Prospectus Directive and accordingly the offer of Notes is not subject to the obligation to publish a prospectus within the meaning of the Prospectus Directive.

No person may communicate or cause to be communicated any invitation or inducement to engage in any investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of the Notes other than in circumstances in which section 21(1) of FSMA does not apply to the Issuers.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This offering memorandum has been prepared on the basis that all offers of Notes will be made pursuant to an exemption under the Prospectus Directive, as amended, as implemented in Member States of the European Economic Area ("EEA"), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes which are subject of the offering contemplated in this offering memorandum must only do so in circumstances in which no obligation arises for the Issuers, the Guarantors or any of the Initial Purchasers to produce a prospectus for such offer. Neither the Issuers nor the Guarantors nor any Initial Purchaser have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum. The expression "Prospectus Directive" means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and amendments thereto (including the 2010 PD Amending Directive, in the case of Early Implementing Member States), and includes any relevant implementing measure in the Relevant Member State. The expression "2010 PD Amending Directive" means Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State"), including each Relevant Member State that has implemented the 2010 PD Amending Directive (each an "Early Implementing Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), no offer has been made and no offer will be made of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of the Notes may be made to the public in that Relevant Member State at any time to:

(a) "qualified investors" as defined in the Prospectus Directive, including:

  (i) (in the case of Relevant Member States other than Early Implementing Member States), legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities, or any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million and (iii) an annual turnover of more than €50 million as shown in its last annual or consolidated accounts; or

  (ii) (in the case of Early Implementing Member States), persons or entities that are described in points (1) to (4) of Section I of Annex II to Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on Markets in Financial Instruments, as amended ("Directive 2004/39/EC"), and those who are treated on request as professional clients in accordance with Annex II to Directive 2004/39/EC, or recognized as eligible counterparties in accordance with Article 24 of Directive 2004/39/EC unless they have requested that they be treated as non-professional clients; or

(b) fewer than 100 or, in the case of Early Implementing Member States, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in any Relevant Member State subject to obtaining the prior consent of each Issuer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes shall result in a requirement for the publication by either Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as such expression may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Each subscriber for or purchaser of the Notes in the offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuers, the Guarantors, our legal advisors and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the offering.

France

This offering memorandum has not been prepared in the context of a public offering in France within the meaning of Article L. 411-1 of the *Code Monétaire et Financier* and Title I of Book II of the *Règlement Général* of the *Autorité des marchés financiers* (the "AMF") and therefore has not been submitted for clearance to the AMF. Consequently, the Notes have not been and will not be, directly or indirectly, offered or sold to the public in France, and neither this offering memorandum nor any other offering material relating to the Notes has been or will be distributed or caused to be distributed to the public in France. Such offers, sales and distribution of the Notes have been and will only be made in France to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) other than individuals, acting for their own account, as defined in, and in accordance with, Articles L. 411-1, L. 411-2 and D. 411-1 of the *Code of Monétaire et Financier*.

Germany

The offering of the Notes is not a public offering in the Federal Republic of Germany. In the Federal Republic of Germany, the Notes may only be offered and sold in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (the "Securities Prospectus Act," *Wertpapierprospektgesetz*, *WpPG*) and any other laws applicable in Germany. The Issuers have not, and do 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 para. 3 of the Securities Prospectus Act. This offering memorandum is strictly for private use and the offer is only being made to recipients to whom the offering memorandum is personally addressed and does not constitute an offer or advertisement to the public. In Germany, the Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the Securities Prospectus Act or who are subject of another exemption in accordance with Section 3 para. 2 of the Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws.

Grand Duchy of Luxembourg

The terms and conditions relating to this offering memorandum have not been approved by and will not be submitted for approval to the Luxembourg Financial Sector Regulator (*Commission de Surveillance du Secteur Financier*) for purposes of public offering or sale in the Grand Duchy of Luxembourg ("Luxembourg"). Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this offering memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except for the sole purpose of the admission to trading of the Notes on the Euro MTF Market and listing on the Official List of the LxSE and except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended.

Austria

In the Republic of Austria, the Notes may only be offered and sold in accordance with the provisions of the Capital Markets Act of the Republic of Austria (the "Capital Markets Act"—*Kapitalmarktgesetz*, *KM G*) and any other applicable Austrian law. No application has been made to the Austrian Financial Markets Surveillance Authority (*Finanzmarktaufsicht, FMA*) to offer the Notes to the public in or out of the Republic of Austria. The Notes are not registered or authorized for distribution under the Capital Markets Act and accordingly may not be, and are not being, offered or advertised publicly or by public promotion. This offering memorandum is strictly for private use and the offer is only being made to recipients to whom the offering memorandum is personally addressed and does not constitute an offer or advertisement to the public. In Austria, the Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 1 No. 5a of the Capital Markets Act or who are subject of another exemption in accordance with Section 3 para. 1 of the Capital Markets Act. Any resale of the Notes in Austria may only be made in accordance with the Capital Markets Act and other applicable laws.

The Netherlands

For selling restrictions in respect of the Netherlands, see "—Notice to Investors in the European Economic Area" above and in addition:

> *Specific Dutch selling restriction for exempt offers*: Each Initial Purchaser has represented and agreed that it will not make an offer of the Notes which are the subject of the offering contemplated by this offering memorandum to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive unless such offer is made exclusively to legal entities which are qualified investors (as defined in the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*, the "NLFMSA")) in the Netherlands.

For the purposes of this provision, the expressions (i) an "offer of the Notes to the public" in relation to any Notes in the Netherlands; and (ii) "Prospectus Directive," have the meaning given to them above in the paragraph headed "*—Notice to Investors in the European Economic Area*."

Poland

No permit has been obtained from the Polish Financial Supervisory Authority ("PFSA") in relation to the issue of the Notes nor has the issue of the Notes been notified to the PFSA in accordance with applicable procedures. Accordingly, the Notes may not be publicly offered in the Republic of Poland ("Poland") as defined in the Polish Act on Public Offerings, the Conditions Governing the Introduction of Financial Instruments to Organized Trading System and Public Companies dated July 29, 2005 (as amended) as a communication made in any form and by any means, directed at 150 or more people or at an unnamed addressee containing information on the securities and the terms of their acquisition sufficient to enable an investor to decide on the securities acquisition.

Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per la Società e la Borsa* ("CONSOB") (the Italian securities exchange commission), pursuant to Italian securities legislation. Each Initial Purchaser has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this offering memorandum or of any other document relating to the Notes in the Republic of Italy will be carried out in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations. In particular, the Notes shall only be offered, sold or delivered and copies of this offering memorandum or any other document relating to the Notes may only be distributed in Italy:

(a) to "qualified investors" (*investitori qualificati*), pursuant to article 100 of the Italian Financial Law and article 34-ter, paragraph 1, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended (the CONSOB Regulation); or

(b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under article 100 of the Italian Financial Law and article 34-ter of the CONSOB Regulation.

Moreover, any such offer, sale or delivery of the Notes or distribution of copies of this offering memorandum or any other document relating to the Notes in the Republic of Italy must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of February 24, 1998, Legislative Decree No. 385 of September 1, 1993, CONSOB Regulation No. 16190 of October 29, 2007 (in each case, as amended from time to time) and any other applicable laws and regulations;

(b) in compliance with article 129 of the Italian Banking Act and with the implementing instructions of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request post-offering information on the offering or issue of securities in the Republic of Italy; and

in compliance with any and all other applicable laws and regulations, including all relevant Italian securities, tax and exchange of controls, laws and regulations and any other condition or limitation that may be imposed by CONSOB, the Bank of Italy or any relevant Italian authorities.

Spain

Neither the Notes nor the Offering have been or will be approved or registered in the administrative registries of the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the Notes may not be offered, sold or distributed in Spain except in circumstances which do not constitute a public offering of securities in Spain within the meaning of section 30-bis of the Securities Market Law 24/1988 of July 28, 1988 (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) (as amended, the "Securities Market Law"), as developed by Royal Decree 1310/2005 of November 4 on admission to listing and on issues and public offers of securities (*Real Decreto 1310/2005 de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, de Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), and supplemental rules enacted thereunder or in substitution thereof from time to time. The Notes may only be offered and sold in Spain by institutions authorized to provide investment services in Spain under the Securities Market Law (and related legislation) and Royal Decree 217/2008 of February 15 on the Legal Regime Applicable to Investment Services Companies (*Real Decreto 217/2008, de 15 de febrero, sobre el régimen juridico de las empresas de servicios de inversión y de la demás entidades que prestan servicios de inversión*).

Switzerland

This offering memorandum, as well as any other material relating to the Notes which are the subject of the Offering contemplated by this offering memorandum, do not constitute an issue prospectus pursuant to article 652a and/or article 1156 of the Swiss Code of Obligations and may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The Notes will not be listed on the SIX Swiss Exchange Ltd., and, therefore, the documents relating to the Notes, including, but not limited to, this offering memorandum, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange Ltd and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd. The Notes are being offered in Switzerland by way of a private placement (*i.e.*, to a limited number of selected investors only), without any public advertisement and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. This offering memorandum, as well as any other material relating to the Notes, is personal and confidential and does not constitute an offer to any other person. This offering memorandum, as well as any other material relating to the Notes, may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without the Issuer's express consent. This offering memorandum, as well as any other material relating to the Notes, may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Internal Revenue Service Circular 230 Disclosure

TO COMPLY WITH INTERNAL REVENUE SERVICE CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY PROSPECTIVE INVESTORS, FOR THE PURPOSES OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING BY US OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes,” “estimates,” “aims,” “targets,” “anticipates,” “expects,” “intends,” “may,” “will” or “should” or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this offering memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

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

- macroeconomic trends and developments such as general economic growth, developments in interest rates and inflation;
- the development of international financial markets;
- changes affecting interest rate levels;
- our ability to successfully compete in the heat exchanger market and to successfully implement cost efficiency and restructuring initiatives;
- changes in the trends and developments of the end-markets, in particular in the markets for the power, climate and environment, oil and gas, food and beverages, chemicals and marine industries;
- developments regarding order intake, phase-out of material projects and manufacturing costs, including raw material and energy costs, as well as project operational risks and interruptions;
- changes in law and regulations;
- our ability to obtain certain certifications required for different areas of our business;
- currency effects;
- leverage and restrictive covenants in current and future indebtedness;
- credit default risks;
- risks associated with the transactions in connection with the Acquisition;
- the satisfaction of the conditions to the escrow of the proceeds of the Notes;
- our ability to attract and retain key personnel;
- our ability to create an independent profile in connection with the loss of the GEA brand;
- our ability to maintain and enforce our intellectual property rights;
- failures or disruptions of our information technology resources;
- the status and outcome of pending litigation, legal or regulatory actions, and the impact of any new litigation as well as new legal or regulatory actions we may become a party to;
- risks associated with the Notes, the Notes Guarantees, the security for the Notes and the Notes Guarantees, our other indebtedness and our structure;
- other factors discussed or referred to in this offering memorandum.

We urge you to read the sections of this offering memorandum entitled “*Risk Factors*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Business*” and “*Industry*” for a more detailed discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this offering memorandum may not occur. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We undertake no obligation, and do not expect, to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this offering memorandum.

CERTAIN DEFINITIONS

In this offering memorandum:

- "Acquisition" has the meaning set forth in "*Summary—The Transactions—The Acquisition*;"
- "Acquisition Agreement" refers to that certain sale and purchase agreement dated April 16, 2014 among GEA AG, GEA Heat Exchangers GmbH, GEA Group Holding GmbH and Blitz;
- "Additional Notes" refers to the Additional Senior Secured Notes (as defined in "*Description of the Senior Secured Notes*") and the Additional Senior Notes (as defined in "*Description of the Senior Notes*");
- "Blitz" refers to Blitz F14-206 GmbH;
- "Clearstream" refers to Clearstream Banking, *société anonyme*;
- "Collateral" refers to the Senior Secured Notes Collateral and the Senior Notes Collateral;
- "Completion Date" refers to the date on which the Acquisition is consummated and the proceeds from the Offerings of the Senior Secured Notes and Senior Notes are released from the relevant escrow accounts;
- "Equity Contribution" has the meaning set forth in "*The Transactions—The Financing*;"
- "Escrow Accounts" refers to the Senior Secured Notes Escrow Accounts and the Senior Notes Escrow Account;
- "Escrow Agent" refers to Deutsche Bank AG, London Branch;
- "Escrow Agreements" refers to each agreement to be dated the Issue Date between the relevant Issuer, the relevant Trustee and the Escrow Agent relating to the Escrow Accounts into which the gross proceeds of the Senior Secured Notes or the Senior Notes, as applicable, less certain deductions with respect to fees, will be deposited pending consummation of the Acquisition;
- "EURIBOR" refers to the Euro Interbank Offered Rate;
- "Euroclear" refers to Euroclear Bank SA/NV;
- "European Union" or "EU" refers to the European economic and political union;
- "Existing Facilities" refers to certain bank loans between HX Holding, HX AT or certain of their subsidiaries and certain lenders, which will be repaid with a portion of the Equity Contribution on the Completion Date;
- "Financing" has the meaning set forth in "*The Transactions—The Financing*;"
- "Galapagos BidCo" refers to Galapagos BidCo S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 26-28, rue Edward Steichen, L-2540 Luxembourg, being registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés Luxembourg*) under number B 186 318 and having a share capital of €12,500;
- "Galapagos Guarantors" refers to Galapagos BidCo and Blitz;
- "GEA AG," "GEA Group AG" and "GEA" refer to GEA Group Aktiengesellschaft, Düsseldorf, Germany;
- "GEA Group" refers to GEA AG and its direct and indirect subsidiaries;
- "Guarantees" or "Notes Guarantees" refers to the Senior Secured Notes Guarantees and the Senior Notes Guarantees;
- "Guarantors" refers to the Senior Secured Notes Guarantors and the Senior Notes Guarantors;
- "HX AT" refers to GEA Air Treatment GmbH, Bochum, Germany;
- "HX Group" and "HX" refer to the Target and its subsidiaries;
- "HX Guarantors" refers to HX Holding, HX AT and their respective subsidiaries listed under "*Listing and General Information—HX Guarantors*" each of whom will provide a guarantee for the Notes within 90 days (or 45 days in the case of entities incorporated in Germany) after the Completion Date;
- "HX Holding" refers to HX Holding GmbH, Bochum, Germany;
- "IAS" refers to International Accounting Standards;
- "IASB" refers to the International Accounting Standards Board;
- "IFRIC" refers to International Financial Reporting Interpretation Committee;
- "IFRS" refers to International Financial Reporting Standards as adopted by the EU;

- “Indentures” refers to the Senior Secured Notes Indenture and the Senior Notes Indenture;
- “Initial Purchasers” refers to Deutsche Bank AG, London Branch, Commerzbank Aktiengesellschaft, ING Bank N.V., London Branch, RBC Europe Limited, The Royal Bank of Scotland plc and UniCredit Bank AG;
- “Intercreditor Agreement” refers to the intercreditor agreement to be entered into on or about the Issue Date by and among, *inter alios*, the Issuers, Blitz, Galapagos BidCo, the Security Agent and the facility agent and certain lenders and arrangers under the Senior Revolving Credit Facility Agreement and the Senior Guarantee Facility Agreement, which is described under “*Description of Certain Financing Arrangements—Intercreditor Agreement*;”
- “Issue Date” refers to the date of original issuance of the Notes;
- “Issue Date Collateral” refers to the Senior Secured Notes Issue Date Collateral and the Senior Notes Collateral;
- “Issuers” refers to the Senior Secured Notes Issuer and the Senior Notes Issuer;
- “Member State” means a member state of the European Economic Area;
- “Net Capitalization” means the sum of (i) the equity purchase price payable in the Acquisition of €1,062.0 million, (ii) the aggregate amount of indebtedness under the Existing Facilities to be repaid on the Completion Date, (iii) the aggregate amount of any Inter-Group Debt to be repaid on the Completion Date and (iv) the total transaction costs relating to the Transactions (as of the date of this offering memorandum, such transaction costs are expected to amount to approximately €60.0 million);
- “Notes” refers to the Senior Secured Notes and the Senior Notes;
- “Offering” or “Offerings” refers to the offering of the Senior Secured Notes and/or the Senior Notes pursuant to this offering memorandum, as the context may require;
- “PECs” refers to preferred equity certificates;
- “Regulation S” refers to Regulation S under the U.S. Securities Act;
- “Rule 144A” refers to Rule 144A under the U.S. Securities Act;
- “Security Agent” refers to UniCredit Bank AG, London Branch, as security agent for the Notes, the Senior Revolving Credit Facility Agreement and the Senior Guarantee Facility Agreement;
- “Security Documents” means the security agreements, the pledge agreements, the collateral assignments and other instruments and documents executed and delivered pursuant to the Indentures or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time and pursuant to which the Collateral is pledged, assigned or granted to or on behalf of the Security Agent for the benefit of (among others) the holders of the Notes and the Trustee or notice of such pledge, assignment or grant is given;
- “Sellers” refers to GEA AG, GEA Group Holding GmbH and GEA Heat Exchangers GmbH;
- “Senior Facilities” refers to the Senior Revolving Credit Facility and the Senior Guarantee Facility made available or which may be made available under the Senior Revolving Credit Facility Agreement and the Senior Guarantee Facility Agreement;
- “Senior Guarantee Facility” refers to our letter of credit facilities in an aggregate amount of €400.0 million established under the Senior Guarantee Facility Agreement, as described in more detail under “*Description of Certain Financing Arrangements—Senior Guarantee Facility Agreement*;”
- “Senior Guarantee Facility Agreement” refers to the senior guarantee facility agreement dated May 18, 2014 by and among, *inter alios*, the Senior Secured Notes Issuer, Blitz, Galapagos BidCo, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, ING Bank N.V., a branch of ING-DIBA AG, RBC Capital Markets, The Royal Bank of Scotland plc and UniCredit Bank AG as arrangers and UniCredit Bank AG, London Branch as agent and the Security Agent;
- “Senior Notes Collateral” has the meaning set forth in “*Summary—The Offerings—Security—Senior Notes*;”
- “Senior Notes Escrow Account” refers to the escrow account into which the gross proceeds of the Offering of the Senior Notes less certain deductions with respect to fees will be deposited on the Issue Date;
- “Senior Notes Guarantees” has the meaning ascribed to it under “*Summary—The Offerings—Notes Guarantees—Senior Notes*;”
- “Senior Notes Guarantors” refers to the Senior Secured Notes Issuer, the Galapagos Guarantors and the HX Guarantors;
- “Senior Notes Indenture” refers to the indenture to be dated on the Issue Date governing the Senior Notes by and among, *inter alios*, the Senior Notes Issuer and the Senior Notes Trustee;

- “Senior Notes Issue Date Guarantees” has the meaning ascribed to it under “*Summary—The Offerings—Notes Guarantees—Senior Notes*;”
- “Senior Notes Issuer” refers to Galapagos Holding S.A. (formerly known as Galapagos CleanCo S.à r.l), a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 26-28, rue Edward Steichen, L-2540 Luxembourg and being registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés Luxembourg*) under number B 186 312;
- “Senior Notes Only Collateral” has the meaning ascribed to it under “*Description of the Senior Notes*;”
- “Senior Notes Proceeds Loan” refers to the loan between the Senior Notes Issuer, as lender, and the Senior Secured Notes Issuer, as borrower, pursuant to which the proceeds of the Senior Notes issuance will be advanced to the Senior Secured Notes Issuer;
- “Senior Notes Trustee” refers to Deutsche Trustee Company Limited, as trustee under the Senior Notes Indenture;
- “Senior Revolving Credit Facility” refers to our €75.0 million multicurrency senior revolving credit facility established under the Senior Revolving Credit Facility Agreement, as described in more detail under “*Description of Certain Financing Arrangements—Senior Revolving Credit Facility Agreement*;”
- “Senior Revolving Credit Facility Agreement” refers to the senior revolving credit facility agreement dated May 18, 2014 by and among, *inter alios*, the Senior Secured Notes Issuer, Blitz, Galapagos BidCo, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, ING Bank, a branch of ING-DIBA AG, RBC Capital Markets, The Royal Bank of Scotland plc and UniCredit Bank AG as arrangers and UniCredit Bank AG, London Branch as agent and the Security Agent;
- “Senior Secured Notes Collateral” has the meaning ascribed to it under “*Summary—The Offerings—Security—Senior Secured Notes*;”
- “Senior Secured Notes Escrow Accounts” refers to the escrow accounts into which the gross proceeds of the Offering of the Senior Secured Notes less certain deductions with respect to fees will be deposited on the Issue Date;
- “Senior Secured Notes Guarantees” has the meaning ascribed to it under “*Summary—The Offerings—Notes Guarantees—Senior Secured Notes*;”
- “Senior Secured Notes Guarantors” refers to the Galapagos Guarantors and the HX Guarantors;
- “Senior Secured Notes Indenture” refers to the indenture to be dated on or prior to the Issue Date governing the Senior Secured Notes by and among, *inter alios*, the Senior Secured Notes Issuer and the Senior Secured Notes Trustee;
- “Senior Secured Notes Issue Date Collateral” has the meaning ascribed to it under “*Summary—The Offerings—Security—Senior Secured Notes*;”
- “Senior Secured Notes Issue Date Guarantees” has the meaning ascribed to it under “*Summary—The Offerings—Notes Guarantees—Senior Secured Notes*;”
- “Senior Secured Notes Issuer” refers to Galapagos S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 26-28, rue Edward Steichen, L-2540 Luxembourg and being registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés Luxembourg*) under number B 186 314;
- “Senior Secured Notes Proceeds Loans” refers to the loans between the Senior Secured Notes Issuer, as lender, and Galapagos BidCo, as borrower, pursuant to which the proceeds of the Senior Secured Notes issuance will be advanced to Galapagos BidCo;
- “Senior Secured Notes Trustee” refers to Deutsche Trustee Company Limited, as trustee under the Senior Secured Notes Indenture;
- “Shared Collateral” has the meaning ascribed to it under “*Description of the Senior Notes*;”
- “Target” refers to the Target Holdings together with the Target Separate Share;
- “Target Holdings” refers to HX Holding and HX AT, and references to “Target Holding” are to each of them;
- “Target Separate Share” refers to the 10% interest prior to the Completion Date held by GEA AG in GEA Küba GmbH (the remaining 90% interest being held by HX Holding);
- “Transactions” refers to the Acquisition, the Financing and the related transactions, including the repayment of all outstanding amounts under the Existing Facilities and the cancelation thereof, as further described in “*Summary—The Transactions*;”
- “Triton” refers to Triton Managers IV Limited and its affiliates and direct or indirect subsidiaries;

- “Triton Funds” refers to funds or limited partnerships managed or advised by Triton;
- “Trustees” refers to the Senior Secured Notes Trustee and the Senior Notes Trustee, and references to “Trustee” are to each of them;
- “United States,” “U.S.” or “US” refer to the United States of America and its territories and possessions;
- “U.S. Exchange Act” refers to the U.S. Securities U.S. Exchange Act of 1934, as amended;
- “U.S. GAAP” refers to generally accepted accounting principles in the United States;
- “U.S. Securities Act” refers to the U.S. Securities Act of 1933, as amended; and
- “we,” “us,” “our,” the “Group” and other similar terms refer to the Issuers, the Target and their respective subsidiaries after giving effect to the Transactions, except where the context otherwise requires.

In addition to the terms defined above, this offering memorandum also contains a glossary of certain technical terms relating to the heat exchanger industry and the Target’s business. See “*Glossary.*”

INDUSTRY AND MARKET INFORMATION

We operate in the market for heat exchangers. We have generally obtained the market and competitive position data in this offering memorandum from internal company estimates, industry publications and from surveys or studies conducted by third-party sources, including the following reports:

- "Heat Exchangers – A Global Strategic Business Report, MCP 1159," published by Global Industry Analysts, Inc., San Jose, California, U.S., April, 2014 (the "GIA Report"); and
- "Heat Exchanger Market – Global Trends & Forecasts to 2018," published by MarketsandMarkets, Dallas, Texas, U.S., in July 2013 (the "M&M Report").

We believe that these industry publications, surveys, studies and websites are reliable. However, we cannot assure you of the accuracy and completeness of such information and we have not independently verified such industry and market data. In addition, none of Global Industry Analysts, Inc., MarketsandMarkets or any other third parties have assumed responsibility for any of the information included in this offering memorandum. As a result, neither we nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this information.

We have also used information contained in reports prepared on our behalf as part of the sale process for the HX Group. In addition, in many cases we have made statements in this offering memorandum regarding our industry and our position in the industry based on our experience and our own investigation of market conditions. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information has been verified by any independent sources. In addition, some of the information herein has been extrapolated from such market data or reports using our experience and internal estimates. Furthermore, we operate in a number of different market segments and it is difficult to obtain precise or current industry and market information on certain segments, which makes the available industry and market information in part incomplete or non-comparable. In those cases where there was no readily available or reliable external information to validate market-related analyses or estimates, or where the data conflicted with other data or was non-comparable or internally inconsistent, statements regarding the industries in which we operate and our position in these industries are based solely on our experience, internal studies and estimates, and our own investigation of market conditions.

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Where we have found information from different sources to be conflicting, we have used the information that we believe to be the most accurate and prepared on a basis consistent with the other sources we have used.

PRESENTATION OF FINANCIAL INFORMATION

Financial Data

Unless otherwise indicated, financial information contained in this offering memorandum has been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and related interpretations of the International Accounting Standards Board ("IASB"). In this offering memorandum, the term "financial statements" refers to the audited combined financial statements of the HX Group as of and for the financial years ended December 31, 2011, 2012 and 2013 and to the unaudited combined condensed financial statements of HX Group as of and for the three-month periods ended March 31, 2013 and 2014. The entire share capital of HX Holding and HX AT, as well as the 10% held by GEA AG in GEA Küba GmbH (the remaining 90% of which is held by HX Holding), will be sold to Blitz on the Completion Date as part of the Transactions. The financial statements included in this offering memorandum do not include the results of certain immaterial subsidiaries which are not consolidated in the combined financial statements of the HX Group.

The results of operations for interim periods or prior years are not necessarily indicative of the results to be expected for the full year or any future period.

Information for the twelve months ended March 31, 2014 has been calculated by taking the amounts for the three-month period ended March 31, 2014 and adding it to the difference between the amounts for the full year ended December 31, 2013 and the three-month period ended March 31, 2013.

The Issuers were formed on April 4, 2014, Galapagos BidCo was formed on April 4, 2014 and Blitz was formed on March 12, 2014, each for the purpose of facilitating the Transactions. None of them have any business operations or material assets or liabilities other than those incurred in connection with their incorporation and the Transactions. Consequently, limited historical financial information relating to the Issuers, Galapagos BidCo and Blitz is available, and the only financial information included in this offering memorandum with respect to them consists of the Issuers' unaudited opening balance sheets as of April 4, 2014, which have been prepared on the basis of generally accepted accounting principles in the Grand Duchy of Luxembourg ("Luxembourg GAAP"), and certain limited as adjusted financial data presented at the Galapagos Holding S.A. level on a consolidated basis as adjusted to reflect certain effects of the Transactions and the Offerings of the Notes.

In the future, we will report our financial results at the level of Galapagos Holding S.A., the Senior Notes Issuer, on a consolidated basis. The financial year of the Senior Notes Issuer ends on December 31 of each calendar year. The Senior Notes Issuer will account for the Acquisition using the acquisition method of accounting under IFRS, which will affect the comparability of the Senior Notes Issuer's future consolidated financial statements with the combined financial statements contained in this offering memorandum.

The financial statements included in this offering memorandum have not been adjusted to reflect the impact of any changes to the income statement, balance sheet or cash flow statement that might occur as a result of application of purchase accounting adjustments to be applied as a result of the Acquisition, nor have they been adjusted to reflect the impact of any changes to the balance sheet as a result of limitation on our ability to use certain net operating loss carryforwards for tax purposes following the Acquisition. We expect that the carrying value for certain deferred tax assets on our balance sheet will be reduced upon consummation of the Acquisition as a result of these limitations. In addition, the application of purchase accounting could result in different carrying values for existing assets and assets we may add to our balance sheet, which may include intangible assets such as goodwill, and different amortization and depreciation expenses, which could be significant. Our financial statements could be materially different from the financial statements included in this offering memorandum once the adjustments are made. If the Offering were registered under the U.S. Securities Act, we would be required to present pro forma financial statements to reflect such adjustments and the impact of the Transactions.

The Acquisition will be accounted for using the purchase method of accounting. Under IFRS 3 "Business Combinations," the cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred and the equity interests issued by the acquirer, including the fair value of any asset or liability incurred and the equity interests issued by the acquirer, including the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair market values at the acquisition date. The excess of the consideration transferred over the fair value if the acquirer's share of the identifiable net assets acquired is recorded as goodwill. Since the Acquisition has not been consummated as of the date of this offering memorandum, we have not identified the fair value of assets acquired and liabilities to be assumed at the date of the Acquisition. In accordance with IFRS, we have up to 12 months from the Completion Date to finalize the allocation of the purchase price.

Some financial information in this offering memorandum has been rounded and, as a result, the figures shown as totals in this offering memorandum may vary slightly from the exact arithmetic aggregation of the figures that precede them. All financial information in this offering memorandum is presented in euro.

Luxembourg GAAP and IFRS differ in certain material respects from generally accepted accounting principles in the United States of America ("U.S. GAAP"). As a result, the results of operations and financial condition derived from the financial statements that are included in this offering memorandum may differ substantially from the results of operations and financial condition derived from financial statements prepared in accordance with U.S. GAAP. None of the Issuers, Galapagos BidCo, Blitz or the HX Group has prepared a reconciliation of its respective financial information to U.S. GAAP or a summary of significant accounting differences in the accounting and valuation methods of IFRS and U.S. GAAP nor has any of them otherwise reviewed the impact the application of U.S. GAAP would have on its financial reporting. Accordingly, in making an investment decision, investors must rely on their own examination of the Issuers' and the HX Group's financial information.

Other Financial Measures

Unless otherwise indicated, all financial information in this offering memorandum has been prepared in accordance with IFRS applicable at the relevant date.

Certain financial information presented in this offering memorandum consists of non-IFRS measures. As used in this offering memorandum, such financial information includes EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and trade working capital (together, the "Non-IFRS Measures").

EBITDA is defined as earnings before interest, taxes, depreciation, amortization and impairments on fixed assets.

Adjusted EBITDA is defined as EBITDA after applying adjustments to eliminate certain non-recurring items. Adjustments to EBITDA include restructuring costs, mainly relating to plant closures and capacity adjustments, extraordinary expenses relating to previously non-consolidated entities, mainly relating to the first time consolidation impact of an entity in Dubai, extraordinary gains and losses related to discontinued activities, mainly relating to former business activities in Turkey and Russia and unusual provision releases, net, mainly relating to changes in contractual provisions in China.

Adjusted EBITDA margin is defined as Adjusted EBITDA divided by total revenue.

Order intake is booked upon binding placement of orders for the sale of goods or services and construction contracts during the reporting period. An order is considered to be binding when the contract has been signed by both parties or a down payment has been agreed with our customer and payment has been received. Cancellations of orders placed with the reporting period reduce the corresponding order intake.

Order backlog at the end of the reporting period represents future sales potential from orders for products and services which have been recorded as order intake. Order backlog only includes orders where customers have given a binding commitment to fulfill the order. Order cancellations are not included in the order backlog and changes of existing orders affect the order backlog to the extent the value of the changed order is in excess or less than the amended original order.

We believe that the Non-IFRS Measures are useful performance measures. However, the Non-IFRS Measures are not financial measures calculated on the basis of IFRS and should therefore be viewed as supplemental but not as a substitute for IFRS measures or data from the consolidated income statement, statement of financial position or statement of cash flows. Our historic results cannot be determined from the Non-IFRS Measures nor do the Non-IFRS Measures provide any indication of future results. Because not all companies define these measures in the same way, the measures shown in the offering memorandum may not be comparable to similarly-titled measures used by other companies. In particular, you should not consider EBITDA or Adjusted EBITDA as an alternative to (a) operating income or income for the period (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles. EBITDA and Adjusted EBITDA have limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for an analysis of our results as reported under IFRS.

As Adjusted Financial Information

We present in this offering memorandum certain as adjusted financial information for the Senior Notes Issuer, which is based on the combined financial information for the Target Group, on an as adjusted basis to reflect certain effects of the Transactions on the indebtedness, cash position and interest expense of the Senior Notes Issuer as of and for the twelve-month period ended March 31, 2014. See "*Summary—Summary Combined Financial and Other Information—Other Historic and As Adjusted Financial Data.*" This adjusted financial information has been prepared for illustrative purposes only and does not represent what our actual interest expense would have been had this Offering occurred on April 1, 2013 or what our actual cash position, indebtedness or secured indebtedness would have been had the Transactions occurred on March 31, 2014, nor does it purport to project our indebtedness, cash position or interest expense at any future date. The adjusted financial information has not been adjusted to reflect the impact of any changes to the income statement, balance sheet or cash flow statement that might occur as a result of application of the acquisition method of accounting under IFRS, which will affect the comparability of the Senior Notes Issuer's future consolidated financial statements with the combined financial statements contained in this offering memorandum. The adjusted financial information has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting adjusted financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

In this offering memorandum:

- "$," "dollars," "U.S. $" or "U.S. dollar" refers to the lawful currency of the United States;
- "BRL" refers to the lawful currency of Brazil;
- "CNY" or "renminbi" refers to the lawful currency of the People's Republic of China ("China");
- "CZK" refers to the lawful currency of the Czech Republic;
- "HUF" refers to the lawful currency of Hungary;
- "INR" refers to the lawful currency of India;
- "PLN" refers to the lawful currency of Poland;
- "RUB" or "rubles" refers to the lawful currency of the Russian Federation ("Russia");
- "ZAR" or "South African rand" refers to the lawful currency of South Africa; and
- "€," "EUR" or "euro" refer to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty on the Functioning of the European Union, as amended.

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

	U.S. dollars per €1.00			
Year	**High**	**Low**	**Average(1)**	**Period End**
2009	1.5134	1.2531	1.3953	1.4326
2010	1.4513	1.1923	1.3210	1.3387
2011	1.4830	1.2907	1.3982	1.2959
2012	1.3458	1.2061	1.2909	1.3192
2013	1.3804	1.2780	1.3300	1.3743

Month	**High**	**Low**	**Average(1)**	**Period End**
October 2013	1.3804	1.3520	1.3639	1.3583
November 2013	1.3606	1.3367	1.3497	1.3591
December 2013	1.3803	1.3542	1.3703	1.3743
January 2014	1.3763	1.3488	1.3623	1.3488
February 2014	1.3802	1.3519	1.3670	1.3802
March 2014	1.3932	1.3733	1.3826	1.3770
April 2014	1.3886	1.3705	1.3811	1.3867
May 2014 (through May 22, 2014)	1.3927	1.3656	1.3774	1.3656

(1) The average of the Bloomberg Composite Rates on the last business day of each month during the relevant period.

The Bloomberg Composite Rate of the euro on May 22, 2014 was U.S. $1.3656 per €1.00.

Fluctuations in the exchange rate between the euro and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future.

SUMMARY

The following summary contains basic information about us and the Offering and highlights information appearing elsewhere in this offering memorandum. This summary is not complete and does not contain all the information that you should consider before investing in the Notes. For a more complete understanding of the Offering, we encourage you to read this entire offering memorandum carefully, including "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our financial statements and the notes to those financial statements contained elsewhere in this offering memorandum. See also "*Disclosure Regarding Forward-Looking Statements*."

Overview

We are a leading global manufacturer of heat exchangers for industrial applications. We believe we are among the leading manufacturers in many of our core products. Our six main end-markets are power, climate and environment, oil and gas, food and beverages, chemicals and marine. In those markets we service a broad, diversified and long-standing customer base in more than 130 countries. We consider ourselves well-positioned to capture growth opportunities across global growth regions by leveraging our leading market positions, broad product portfolio, our global manufacturing footprint and dense sales/service network. We are headquartered in Bochum, Germany. In the twelve months ended March 31, 2014, we generated €1,482.4 million in revenue and €154.4 million of Adjusted EBITDA (as defined herein).

We operate through seven operational business units, each with dedicated management teams responsible for their respective markets and applications. Each of the business units focuses on a distinct technology and product portfolio. The business units are Shell & Tube ("S&T"), Plate Heat Exchangers ("PHE"), Air Treatment ("AT"), AFC Compact Systems ("AFC-CS"), AFC Single Tube ("AFC-ST"), ACC/Heller ("ACCH") and Wet Cooling ("WET"). Each of our business units enjoys strong positions in its respective markets and applications.

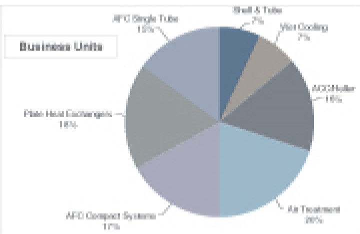
Through our seven operational business units we offer an array of various high-quality products from air-conditioning systems for non-residential use to large and highly engineered industrial heat exchanger applications, such as cooling equipment for power plants. While working closely with our customers, we develop customized solutions for numerous tailored applications. Heat exchangers are essential in many industrial processes as they are important in maintaining optimal temperatures for industrial processes and, for example, prevent machines from overheating, thus avoiding significant costly downtimes of our customers' production processes. The cost of our process-critical products is typically only a small portion of the total cost of customers' machinery and equipment. We are involved in all aspects of the lifecycle of heat exchangers from project and component design, manufacturing, sales and delivery to providing engineering and post-sale services.

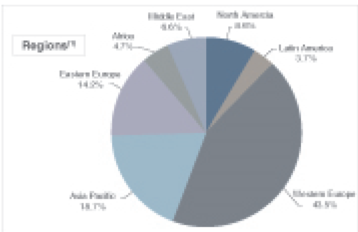
We derived 67.9% of our revenue from the sale of components and service agreements (our component business) and 32.1% from construction contracts (our project business) in the year ended December 31, 2013. The component business, where typical order sizes can range from €10 to €500,000, offers a large and diversified installed base, recurring revenues, flexibility in production, quicker turnover and higher relative profitability. Certain areas of our project business allow us to expand into growth markets and increase our installed base for future service. With respect to our large projects, the order sizes range typically between €10 million and €50 million. Certain areas of our project business also benefit from lower working capital requirements, as we typically require prepayments from our customers. Our service activities include traditional recurring service but also refurbishment and reconditioning of cooling towers and other applications.

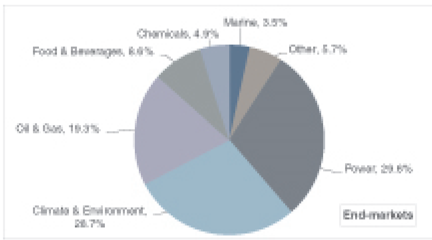
We distribute our products throughout our markets under a number of different product brands, many of which have long-established heritage and are well-known to our customers. Those brands include, among others: Renzmann, Ecoflex, Denco, Küba, Batignolles, EGI and Polacel. The GEA brand is generally of lesser importance to our customers in many regions, which we believe will facilitate a smoother separation from the GEA Group (for more information see "*Business—Intellectual Property—Trademarks*").

We are present on five continents with sales offices and manufacturing sites except for Australia, where we operate through sales agents. We operate 50 manufacturing sites (including production and service and assembly sites, but excluding joint ventures) and 232 sales offices (including sales partners) across the globe.

The following charts illustrate the breakdown of our sales in the year ended December 31, 2013 by business unit, by region and by end-customer markets (on the basis of combined financial statements):







(1) Please refer to note 1 to the second table under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Comparison of the Financial Years Ended December 31, 2012 and 2013—Revenue by region.*"

Our Industry

Heat exchangers, which are used for heat transfer from one medium to another without mixing the media, are used across a broad range of applications including the power, oil and gas, food and beverages, heating, ventilation, air conditioning (“HVAC”), marine, chemicals and other industries. Heat exchange plays a crucial role in thermal processes across many industrial applications, with no other technology currently capable of supplanting the basic principle of thermal transfer. From a technology perspective, there are four basic types of heat exchangers/heat removal devices: shell & tube heat exchangers, plate heat exchangers, finned tube heat exchangers and cooling towers.

The scope and methodology used for defining the heat exchanger market varies among different market research companies. Global Industry Analysts, Inc., San Jose, California, United States (“GIA”), estimated in its study “Heat Exchangers—A Global Strategic Business Report,” published in April 2014 (hereinafter the “GIA Report”) that the size of the global heat exchanger market in 2014 is U.S. $17.1 billion, while the report “Heat Exchanger Market—Global Trends & Forecasts to 2018,” published by MarketsandMarkets, Dallas, Texas, United States (“M&M”) in July 2013 (hereinafter, the “M&M Report”) estimated the size of the global heat exchanger market in 2013 to be U. S. $13.9 billion (on the basis of forecast figures for 2013). Demand for heat exchangers is linked to demand for its applications across various end-markets, as well as heat exchanger intensity per application.

In terms of geographical markets, Europe is the largest regional market for heat exchangers, followed by Asia Pacific and the North American market. The last years have witnessed a shift in demand from developed to emerging markets.

The global heat exchanger market is characterized by the following trends and features:

- Demand for heat exchangers supported by global trends, such as population growth, urbanization, industrialization and rising wealth, together with a combination of cost and regulatory factors that creates a global drive towards energy efficiency;
- Persistent technology with limited substitution options currently available;
- Diversified exposure across end-markets and resilience to individual economic cycles;
- Mission-critical character of heat exchangers in many end-market applications;
- High fragmentation with only a few global competitors offering comprehensive product portfolios;
- Technological developments and innovation opportunities, including energy efficiency improvements, reduction of total ownership costs, durability, reduction of vibration-induced failures and fouling, as well as rising raw material prices; and
- Replacement, maintenance and aftermarket opportunities.

Our Competitive Strengths

Leading positions in attractive growth markets

We believe we are the only global dedicated heat exchanger manufacturer holding leading positions across many of our key end-markets. We also believe our business units are positioned among the leading or major competitors in the respective sub-markets or regions in which they compete. In contrast to our broad product coverage, most of our key competitors are only present in certain product or geographical segments. According to our own research, we believe that, on a global basis, our ACCH business unit is among the market leaders in the air-cooled condensers business and we are among the top four competitors in plate heat exchangers in terms of market share measured by revenue. In addition, we believe we hold a top-three position in the market served by our AFC-ST business unit as well as top-three, five and seven positions in the markets served by our AT, AFC-CS and WET business units, respectively. Our S&T business unit is, in our view, a leader for high-end products focused on certain niches and regions, such as large-scale transformer cooling systems in Europe and machine cooling systems in Western Europe and Asia. As our industry remains highly fragmented with numerous regional competitors, in certain regional and niche markets our market position is even stronger, such as with respect to the charge air coolers segment, where we believe our AFC-CS business unit is among the global leaders. Most of the markets we operate in are large and benefit from major trends such as growing population, urbanization, industrialization, rising energy costs and environmental awareness. We believe that our leading or prominent market positions, broad product offerings and long-term customer relationships as well as our strong manufacturing presence and sales and services network in regional markets provide us with a strong platform to capture future demand in our growing end-markets.

Users of our heat exchangers also rely on the quality of our products and often face high switching costs. Many heat exchangers are process-critical and determine the performance of the application. While the cost of the heat exchanger often only amounts to a fraction of the total investment of our customers, malfunction can cause severe damage to the entire system, such as power plant downtime, which in turn can result in significant financial implications for our customers or their respective end customers. Therefore, end customers are often reluctant to risk the reliability and proper functioning of their application by choosing unproven or lower-quality heat exchangers. We believe that this enhances our ability to protect our market positions.

Broad product and application spectrum with stable underlying technology

We believe we provide one of the broadest product offerings in the industry, covering most types of heat exchangers. Our products are used in numerous applications for customers across many diverse end-markets. This high degree of diversification positions us well to exploit growth trends in the relevant markets. Furthermore, it supports the resilience of our profitability. Each of these end-markets is influenced by distinct economic factors and is in different stages of cyclicality, making us less vulnerable to adverse changes in the macro-economic environment or in any other given sub-sector of our end-markets.

The fundamental concept of thermal heat transfer is relevant in many industrial processes and we do not believe that it currently faces significant substitution risk from other technologies. While technological shifts in this industry are rather sparse, we strive to improve the thermal performance of our heat exchangers, offering our customers highly efficient and secure systems with improved features, such as minimized weight and size. We also believe that heat exchanger demand is well protected against shifts in the underlying industries. Though some applications may decline in importance over time, such as fossil fuel-fired power plants in certain regions of the world, the potential substitutes such as renewable energy generation methods will also require heat exchangers. Through our broad product offering, we are, to a certain extent, protected from such potential shifts in the respective end-markets.

Highly diversified customer base and strong regional diversification

Our global presence allows us to provide local services to global customers. As of December 31, 2013, we provided our products and services to approximately 4,750 customers in more than 130 countries worldwide and across different end-industries. In the year ended December 31, 2013, our top ten customers represented approximately 14.8% of total revenue (with no single customer representing more than 2.9%), with the major portion of our order intake consisting of orders below €1 million. We believe that our brands enjoy a strong, high-quality reputation with many of our customers, reflected in long-standing customer relationships. We have a geographically diversified customer base and currently operate 50 manufacturing and service and assembly sites as well as more than 230 sales offices across the globe.

We are in close proximity to our customers and hence are perceived by many of our customers as a regional supplier. Our high revenue share in Western Europe reflects our strong and long-standing relationships with European customers. We also benefit from low-cost production capabilities, due in part to our extensive production network in Eastern Europe and Asia. Our position as a global and diversified heat exchanger solutions provider with an established presence in Europe, North America, Asia Pacific, the Middle East and South America allows us to capitalize on further growth and expansion opportunities in various sub-segments of our end-markets both by industry and geography while making us less susceptible to market risks in a single country or region or any specific industry or counterparty risk.

Streamlined global capabilities

In recent years, we have streamlined our global production. As part of a reorganization process in connection with the formation of HX, we closed or relocated 18 production sites in higher-cost regions since 2010 and shifted capacity towards lower-cost regions such as Eastern Europe and Asia. Within the remaining 33 production sites and 17 service and assembly sites, investment and restructuring efforts were implemented to adapt production to future needs, and we expect to carry out additional restructuring in the future to further streamline our operations. Modern sites in China, India, and North America offer local access to growth markets while allowing us to serve existing and new customers globally in a cost-effective manner by matching our regional production capacity to customer needs.

Strong financial track record and flexible cost and working capital base

Since 2011, we have generated stable Adjusted EBITDA margins despite difficult market environments in several key end-markets. The resilient profitability is the result of our diversified business model, which focuses on leading or prominent positions in growing regions and product segments, our broad and high-quality product offering as well as the flexible cost structure achieved through continuous operational improvements and restructuring measures.

Historically, we have been able to maintain cash flow through difficult market environments via effective working capital and capital expenditure management. Generally, our working capital requirements grow in expansionary times and lead to cash inflows in times of declining revenues. We believe that a sizeable portion of our capital expenditures is discretionary in nature and could be reduced or delayed in economically challenging times without causing significant negative short term impact on our overall performance. Hence, we believe we can maintain our history of strong cash generation in times of contracting revenue and profitability.

Highly experienced and committed management

Our management team has extensive experience in the industry and a proven track record of achieving long-term growth as well as establishing HX as one of the market leading players in the heat exchanger industry. Our executive management has many years of relevant industry experience. Most of the next level leadership team has also been with us since the inception of HX as a separate segment within the GEA Group and has successfully executed several major strategic initiatives, including the recent global realignment of our manufacturing sites. Our executive management and leadership team remains committed to further improve our cost position through continuous optimization of production, logistics, product design and overhead. We believe the experience and commitment of our executive management and leadership team provides a competitive advantage and positions us favorably for future growth.

Our Strategy

We base our strategy on a program which combines (i) technological leadership, (ii) a global manufacturing and sales network and (iii) a broad product platform, in order to achieve sustainable and profitable growth. Our strategy focuses on the following key objectives:

Drive international expansion

Our regional expansion strategy is driven by the fact that most of our businesses require close proximity to customers. The competitive landscape in the heat exchangers market is characterized by a few global market participants offering an extended product range (of which we are one) that co-exist with a number of smaller, typically local, participants. As a result, we see the heat exchangers business as being multi-local, rather than global. There are in fact a number of factors that restrict the effectiveness of global supply. For example, customers increasingly demand short lead-times, in particular for components, and different product specifications require production to order. In addition, local restrictions and technical specifications and requirements, the bulky dimensions of the products and the corresponding high shipping and logistics costs pose further limitations to global supply and underline the importance of being locally present where the customers are located.

We have also used our market know-how to identify further regional expansion opportunities for our individual business units, based on factors such as local market demand, investment requirements and existing customer relationships. These opportunities include, among others, expanding AT's close control units' business to Asia Pacific to benefit from the growing data center market and expanding our S&T business in South America with a customer engaged in offshore oil and gas production.

Expand into "white spot" markets by leveraging our "shared site" production model

While we are present with production, assembly and service sites as well as sales locations throughout many regions of the world, we have identified certain "white spots" (market areas in which we are not, or not sufficiently, present) in the geographic distribution of our products at the business unit level. It is our objective to address those white spots in the future as currently not all our products are offered across all of our covered territories. In particular, this relates to our S&T business as well as our AFC-CS business in North America and our AT business in Asia Pacific.

In expanding into the identified market areas and regions, we plan to leverage our recently realigned manufacturing infrastructure and our knowledge of local markets. For example, in North America, we have a production site in Tulsa, Oklahoma, United States, which today manufactures products for our AFC-ST business unit. In 2014, we started a new production line for compact radiators for our AFC-CS business unit at the Tulsa site to serve North American demand for these products.

Develop innovative products

We believe that we have one of the broadest product offerings in the market for heat exchangers, including finned tube, plate and shell and tube heat exchangers, cooling towers and air treatment products and a strong pipeline of product innovations to address future market demands. We own approximately 390 patents and utility models in total. For more information, see "*Business—Intellectual Property—Patents and Utility Models.*" We plan to build on our strong product portfolio and our long-standing innovation tradition with many recognized brands. In order to maintain our technology leadership, we strive to continue our joint research and development efforts with customers and research institutes. Recent collaborative projects include, for example, the development of internally- and externally-structured tubes for air coolers, featuring a fin type with improved heat transfer properties. We have proven our technological leadership by developing innovative products for new market trends, derived, in part, from the adoption of new regulations. For example, our new exhaust gas recirculation ("EGR") coolers (the result of a joint development project with leading engine producers), for which we have already received initial orders, meet the new limits regarding mono-nitrogen oxides ("NOx") for off-road diesel engines, and our Circumix dense slurry mixer is expected to comply with the anticipated EPA regulation in the United States on coal ash handling. In addition, we intend to continue to develop energy efficient systems, such as our Adia-Denco cooling system line, which has high-speed fans that adapt to cooling needs and slow down whenever possible and a precision water evaporation system that cools down outside air, both of which contribute to energy efficiency.

Implement operational improvements

We believe that we have further potential for operational improvements. For example, as part of a reorganization process in connection with the formation of the HX Group, we closed or relocated 18 production sites in higher-cost regions since 2010 and shifted production towards lower-cost regions such as Eastern Europe and Asia. Subsequently, we further adapted our capacity at several sites given lower market demand. In addition, we reduced headcount in Brazil and the United Kingdom. We intend to continue to focus on further cost improvements in our manufacturing and administrative structures. The production capacity at our current sites will allow us to grow in developed and emerging markets while leveraging existing investments in our facilities.

Expand our service offering

With our large and mature installed base of products and strong customer relationships, we believe we have strong prospects for growth in the attractive service and maintenance business. We plan to expand the service business on the business unit level with centralized coordination at the Group level. In addition, we will aim to enhance the organizational harmonization of our service business, creating dedicated service responsibilities and pooling service skills across some business units in certain regions and increasing the transparency and synergy screening across the business units (for example, building up a database on our installed base).

The Transactions

The Acquisition

On April 16, 2014, Blitz, an acquisition vehicle ultimately controlled by Triton, entered into the Acquisition Agreement with the Sellers to acquire all shares in the Target Holdings as well as the Target Separate Share (the “Acquisition”). The Acquisition Agreement provides for a fixed equity purchase price of €1.062 billion, payable on the Completion Date.

The consummation of the Acquisition pursuant to the Acquisition Agreement is subject to certain regulatory approvals, in particular merger control clearances in the EU, Russia, Turkey, China, South Korea, the United States and South Africa, as well as the absence of a judgment, injunction, order or other decision by any competent court or any governmental authority prohibiting the consummation. The parties to the Acquisition Agreement have agreed to cooperate in connection with such merger control clearances, and Blitz is obligated under the Acquisition Agreement to, and to cause certain of its affiliates to, undertake everything in its or their power in order to obtain the necessary merger control clearances as soon as practically possible, unless this would cause an unreasonable hardship (*Unzumutbarkeit*) under the terms of the Acquisition Agreement. If the respective regulatory approvals are not obtained on or before March 31, 2015 (or such later date as the parties to the Acquisition Agreement agree), the Acquisition Agreement may be terminated by the Sellers. If either Blitz or the Sellers fail to perform their duties under the Acquisition Agreement prior to closing, the other party (acting jointly in the case of the Sellers) will have a termination right. In addition, if the respective regulatory approvals are not obtained on or before March 31, 2015 substantial assets of HX Group may be sold or spun off.

In connection with the Acquisition, senior management of the HX Group will invest in Galapagos Management S.C.A., which indirectly owns approximately 10% of the Senior Notes Issuer, and we expect that as of the Completion Date senior management will indirectly hold approximately 8% of the share capital of Galapagos Holding S.A., the indirect parent company of Blitz.

We currently expect that all inter-group financing owed by members of the HX Group to the Sellers or their affiliates (other than the HX Group) (the “Inter-Group Debt”) will be repaid prior to the Completion Date with cash generated by the HX Group prior to the Completion Date. To the extent that any Inter-Group Debt remains outstanding on the Completion Date, Blitz will be required under the Acquisition Agreement to acquire and assume such Inter-Group Debt, including all accrued and unpaid interest thereon and all rights and obligations under the related underlying agreements, for an amount of consideration equal to the aggregate nominal value of such outstanding Inter-Group Debt.

The Acquisition Agreement includes, among other things, covenants obligating the Sellers to cause the HX Group to conduct its business in the ordinary course and consistent with lawful past practice during the period until the Completion Date.

Blitz, a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated and existing under the laws of Germany, is a direct wholly owned subsidiary of Galapagos BidCo S.à r.l. (“Galapagos BidCo”), a private limited liability company (*société à responsabilité limitée*) incorporated and existing under the laws of Luxembourg. Galapagos BidCo, in turn, is a direct wholly owned subsidiary of the Senior Secured Notes Issuer, a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg. The Senior Secured Notes Issuer, in turn, is a direct wholly owned subsidiary of the Senior Notes Issuer, a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg, which is the holding company of the Group. Each of Galapagos BidCo, the Senior Notes Issuer, the Senior Secured Notes Issuer and Blitz were formed or acquired as a shelf company, as the case may be, with no operational business and no material assets and liabilities, to facilitate the Transactions.

The Financing

The Acquisition will be financed as follows (collectively, the “Financing”):

- based on the assumed Completion Date, Triton will provide approximately €347.0 million to the Senior Notes Issuer through a combination of equity and PECs (the “Equity Contribution”). Approximately €62.5 million thereof will, indirectly through intermediate holding companies, be contributed to the share capital of Blitz and the remainder will be advanced through PECs. The amount of the Equity Contribution may be reduced to the extent that cash generated by the HX Group prior to the Completion Date is used to fund a portion of the consideration payable in the Acquisition. Subject to various factors, including the amount of cash generated during the escrow period, the amount of the Equity Contribution might vary, but will in any case amount to at least 27.5% of our Net Capitalization;
- the Senior Secured Notes Issuer will issue the Senior Secured Notes in an aggregate principal amount of €525.0 million; and
- the Senior Notes Issuer will issue the Senior Notes in an aggregate principal amount of €250.0 million.

The proceeds from the Financing described above will be used to:

- fund the consideration payable for the capital stock of the Target Holdings and the Target Separate Share purchased in the Acquisition;
- repay all amounts outstanding under the Existing Facilities; and
- pay the fees and expenses in connection with the Acquisition and the Financing, including estimated fees and expenses to be incurred in connection with the Offerings.

In addition, the Senior Revolving Credit Facility Agreement also provides for a Senior Revolving Credit Facility in an aggregate principal amount of €75 million and the Senior Guarantee Facility Agreement provides for a Senior Guarantee Facility in an aggregate principal amount of €400 million, each to be available from the Completion Date. Currently, it is expected that the Senior Revolving Credit Facility will not be drawn as of the Completion Date and substantial amounts of the Senior Guarantee Facility will be utilized.

Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering of the Senior Secured Notes less certain deductions with respect to fees into the Senior Secured Notes Escrow Accounts in the name of the Senior Secured Notes Issuer and the gross proceeds from the Offering of the Senior Notes less certain deductions with respect to fees into the Senior Notes Escrow Account in the name of the Senior Notes Issuer. The Senior Secured Notes Escrow Accounts will be controlled by, and pledged on a first-priority basis in favor of, the Senior Secured Notes Trustee on behalf of the holders of the Senior Secured Notes, and the Senior Notes Escrow Account will be controlled by, and pledged on a first-priority basis in favor of, the Senior Notes Trustee on behalf of the holders of the Senior Notes. Prior to the release of escrow proceeds, Triton will directly or indirectly contribute cash into the Senior Secured Notes Issuer and the Senior Notes Issuer to enable them to pay interest on the Notes, which, subject to the availability of cash, will be reimbursed by the Issuers following the Completion Date. The release of escrow proceeds is subject to the satisfaction of certain conditions, including the consummation of the Acquisition. If the Acquisition is not consummated on or prior to March 31, 2015, 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 the date of special mandatory redemption. See "*Description of the Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Description of the Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*."

We refer to the Acquisition, the Financing and the repayment of the Existing Facilities and the Inter-Group Debt collectively as the "Transactions." See "*Use of Proceeds*," "*Capitalization*," "*Description of Certain Financing Arrangements*," "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*."

Sources and Uses of Funds for the Transactions

The expected estimated sources and uses of the funds necessary to consummate the Transactions (including the Acquisition) are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimates of fees and expenses and the actual Completion Date and the cash flow generated by the HX Group until the Completion Date. Any changes in these amounts may affect the amount of the Equity Contribution.

Sources of Funds(1)	*(in € million)*	Uses of Funds	
Notes offered hereby	775.0	Equity purchase price(3)	1,062.0
Equity Contribution(2)	347.0	Total transaction costs(4)	60.0
Total sources	**1,122.0**	**Total uses**	**1,122.0**

(1) The Senior Revolving Credit Facility Agreement provides for a Senior Revolving Credit Facility in an aggregate principal amount of €75 million, and the Senior Guarantee Facility Agreement provides for a Senior Guarantee Facility in an aggregate principal amount of €400 million. The Senior Revolving Credit Facility is currently not expected to be drawn as of the Completion Date. We expect substantial amounts to be utilized under the Senior Guarantee Facility on the Completion Date. See "*Description of Certain Financing Arrangements*."

(2) Based on the assumed Completion Date, Triton will provide approximately €347 million to the Senior Notes Issuer through a combination of equity and PECs. Approximately €62.5 million thereof will, indirectly through intermediate holding companies, be contributed to the share capital of Blitz and the remainder will be advanced through PECs. The amount of the Equity Contribution may be reduced to the extent that cash generated by the HX Group prior to the Completion Date is used to fund a portion of the equity purchase price in the Acquisition. Subject to various factors, including the amount of cash generated during the escrow period, the amount of the Equity Contribution might vary, but will in any case amount to at least 27.5% of our Net Capitalization.

(3) The total consideration payable in the Acquisition may be higher than the equity purchase price if outstanding amounts under the Existing Facilities have not been repaid prior to the Completion Date. We currently expect that the Inter-Group Debt will be repaid prior to the Completion Date with cash generated by HX Group.

(4) Estimated fees and expenses associated with the Acquisition and the Financing, including commitment, placement, financial advisory and other transaction costs and professional fees.

Our History

Until the completion of the Acquisition, the HX Group is part of the GEA Group (GEA AG and its direct and indirect subsidiaries). GEA was founded in 1920 as "Gesellschaft für Entstaubungs-Anlagen" and initially focused its activities on filters for electrical machinery and heat exchangers. Over the first decades of its history, GEA expanded its heat exchanger activities and only invested in other process technology and components in the 1980s and 1990s. In the area of heat exchange, GEA has traditionally been one of the major participants in innovation and set technological standards. For example, in 1922 GEA invented and developed our elliptical fin tube. In the 1960s, GEA began its international expansion in the United Kingdom, Austria, the Netherlands and Spain. This expansion continued with acquisitions in South Africa, Brazil, France and the United States. GEA entered the Chinese market in the 1980s. GEA's initial public offering took place in 1989. GEA is listed on the German MDAX. In the 1990s, GEA built new manufacturing sites in China and expanded into Eastern Europe.

In 1999, GEA was acquired by mg technologies AG. In 2010, GEA bundled all its heat exchanger activities in one segment (HX). HX offers one of the broadest ranges of heat exchangers to its global customer base. In 2011, GEA acquired Mashimpeks Ltd., a company that had already assembled and sold HX heat exchangers in Russia.

GEA launched an in-depth strategic portfolio review in 2012. As a result of that review process, GEA decided to increase the GEA Group's focus as a systems provider to the food, beverage and other process industries. Following a reorganization process, GEA agreed to sell the HX Group to Blitz on April 16, 2014. See "*The Transactions.*"

The Issuers

The Senior Notes Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 26-28, rue Edward Steichen, L-2540 Luxembourg, being registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés Luxembourg*) under number B 186 312. The directors of Galapagos Holding S.A. are Thomas Sonnenberg, Michiel Kramer, Heiko Dimmerling and Mats Eklund. The Senior Notes Issuer has conducted no operations or other material activities.

The Senior Secured Notes Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 26-28, rue Edward Steichen, L-2540 Luxembourg, being registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés Luxembourg*) under number B 186 314. The directors of Galapagos S.A. are Michiel Kramer, Thomas Sonnenberg, Antonis Tzanetis and Mats Eklund. The Senior Secured Notes Issuer has conducted no operations or other material activities.

Our Principal Shareholder

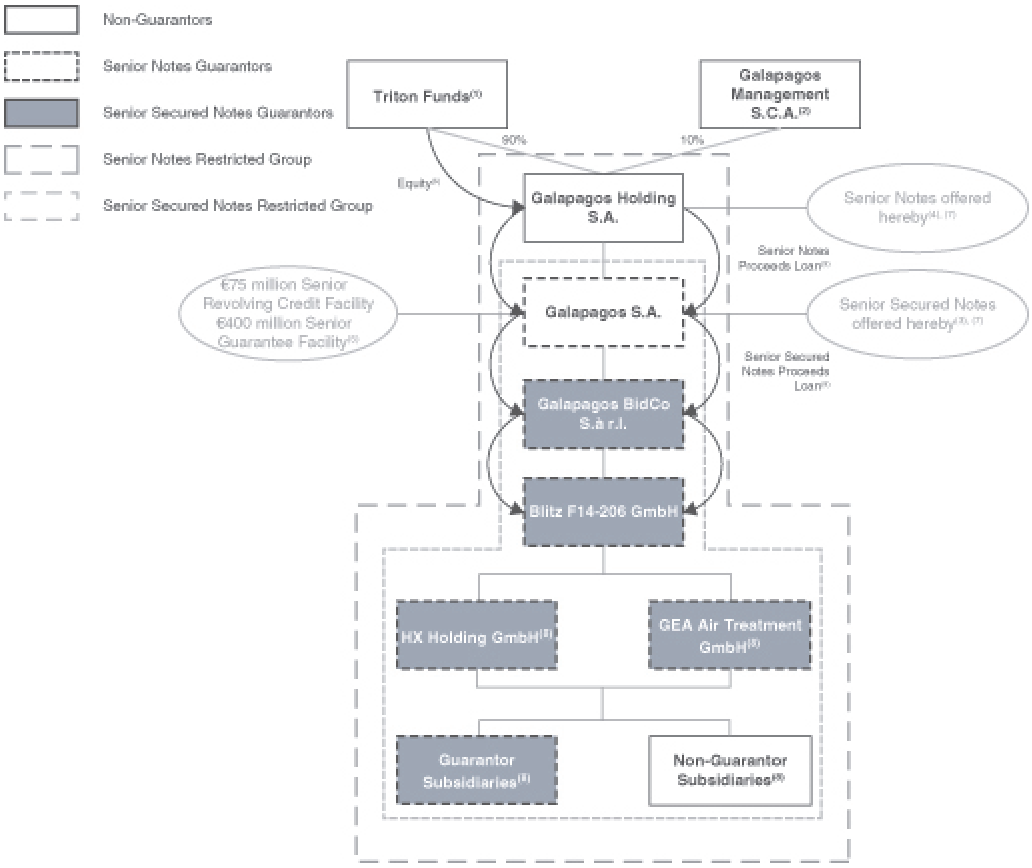
After consummation of the Acquisition, the Triton Funds will be our principal shareholders. Triton is a leading private equity investment firm that invests in medium-sized businesses in Northern Europe, and has offices in Frankfurt, Stockholm, London, Shanghai, Jersey and Luxembourg. Its investment philosophy is based on building better businesses and producing superior investment returns through operational improvement and value creation strategies. Triton has executed more than 40 investments since its inception, and its current portfolio comprises 26 companies with combined sales of approximately €13 billion and over 55,000 employees. The Triton management teams and businesses partners have completed more than 100 add-on acquisitions to date.

Institutional investors have committed some €7.7 billion of capital to Triton Funds. In 2013, Triton raised its latest fund, "Triton IV," with capital commitments of €3.5 billion. Triton invests in companies with strong long-term potential in their respective core sectors of industrial manufacturing, business services and consumer/health services. Triton has significant experience in investing in globally operating industrial companies, including Dematic, Dunkermotoren, Elit, GCE, RMG, Rütgers, Stenqvist and Weru.

Current Triton portfolio companies include: Alimak Hek, Alpine Energie, Ambea, Aventics, BC Group, Befesa, Compo, Cubility, DSI, DSVM Group, Europart, European Directories, Inflight Service, Infratek, Kährs, Logstor, Nordic Tankers, OBH Nordica, Orion Engineered Carbons, Ovako, Papyrus, Polygon, Stabilus, Suomen Lähikauppaa, Talis and Wittur.

Corporate and Financing Structure

The following simplified chart sets forth certain aspects of our corporate and financing structure after giving effect to the Transactions. Please refer to "*Description of Certain Financing Arrangements*," "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*" for more information. All entities shown below are 100% owned unless indicated. The amounts of all equity contributions and shareholder loans referred to in the footnotes to the chart below are based on our current assumptions and estimates. Actual amounts may vary from estimated amounts depending on several factors, including changes in the purchase price for the Acquisition, based, among others, on changes in the amount of cash, indebtedness and working capital of the HX Group on the Completion Date.



(1) Upon consummation of the Acquisition, Triton Masterluxco 4 S.à r.l. will indirectly hold or control (through wholly owned intermediate holding companies) approximately 90% of the share capital of Galapagos Holding S.A. and thus approximately 90% of the Target Holdings and the Target Separate Share. See "*Shareholders*."

(2) Upon consummation of the Acquisition, certain employees and members of management will invest (through wholly owned intermediate holding companies) into and thus indirectly hold approximately 8% of the share capital of Galapagos Holding S.A., the Target Holdings and the Target Separate Share. See "*Certain Relationships and Related Party Transactions*."

(3) The Senior Secured Notes will be senior obligations of the Senior Secured Notes Issuer, and on the Issue Date the Senior Secured Notes and the Senior Secured Notes Issue Date Guarantees will be secured, on a first-priority basis, by liens over: (i) the escrowed property deposited in the Senior Secured Notes Escrow Accounts; (ii) all shares of the capital stock and preferred equity certificates of each Galapagos Guarantor; (iii) certain bank accounts of the Senior Secured Notes Issuer and the Galapagos Guarantors; (iv) certain intercompany loan receivables of the Senior Secured Notes Issuer and the Galapagos Guarantors; (v) receivables of the Senior Secured Notes Issuer and Blitz under certain hedging agreements and any other receivables owed to the Senior Secured Notes Issuer and Galapagos BidCo; (vi) receivables of Blitz under certain factoring or collection agreements; (vii) claims of the Senior Secured Notes Issuer and the Galapagos Guarantors against the providers of certain reports; and (viii) receivables of Blitz under the Acquisition Agreement. On the Completion Date, the Senior Secured Notes and the Senior Secured Notes Issue Date Guarantees will be secured, on a first-priority basis, by Liens over: (i) all shares of the capital stock of the Target Holdings and (ii) the Senior Secured Notes Proceeds Loans. Subject to certain agreed security principles and certain perfection requirements, within 90 days (or 45 days in the case of collateral located in Germany) after the Completion Date, the Senior Secured Notes and the Senior Secured Notes Guarantees will be secured, on a first-priority basis, by liens over: (i) all shares of the capital stock of each HX Guarantor and certain other subsidiaries located in the Czech Republic, France and Italy held by the Senior Secured Notes Issuer and its restricted subsidiaries (to the extent not already secured as of the Completion Date); (ii) certain insurance receivables, bank accounts, intercompany loan receivables, trade receivables, real estate and other assets of the HX Guarantors located in Germany; and (iii) certain bank accounts, intercompany loan receivables, trade receivables and other assets of the HX Guarantors located in Austria, Belgium, England, Hungary, the Netherlands, Poland, Singapore, South Africa and the United States.

The obligations under the Senior Secured Notes, the Senior Revolving Credit Facility Agreement, the Senior Guarantee Facility Agreement and certain hedging obligations will be secured equally and ratably by first-priority liens over the Senior Secured Notes Collateral. Subject to the terms of the Senior Secured Notes Indenture and the Intercreditor Agreement, certain other indebtedness and liabilities will be permitted to be secured by the Senior Secured Notes Collateral now and in the future, including any Additional Notes issued under the Senior Secured Notes Indenture. Any liabilities in respect of obligations under the Senior Revolving Credit Facility Agreement, the Senior Guarantee Facility Agreement and certain hedging obligations will receive priority with respect to any proceeds received upon any enforcement action over any Senior Secured Notes Collateral. The security interests in the Senior Secured Notes Collateral will be subject to the terms of the Security Documents and will be subject to limitations on enforcement and may be released under certain circumstances. See "*Description of the Senior Secured Notes—Security—Release*," "*Description of Certain Financing Arrangements—Intercreditor Agreement*," "*Risk Factors—Risks Related to Our Structure—Each Notes Guarantee and security interest will be subject to certain* *limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*," "*—There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes and the Notes Guarantees will be released automatically, without your consent or the consent of the relevant Trustee*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*."

(4) The Senior Notes will be senior obligations of the Senior Notes Issuer, and on the Issue Date the Senior Notes and the Senior Notes Issue Date Guarantees will be secured: (i) on a first priority basis, by liens over the escrowed property deposited in the Senior Notes Escrow Account and all shares of the capital stock and preferred equity certificates of the Senior Secured Notes Issuer, and certain bank accounts of the Senior Notes Issuer; and (ii) on a second priority basis, by liens over all shares of the capital stock and preferred equity certificates of Galapagos BidCo, all shares of the capital stock of Blitz, and certain intercompany loan receivables of the Senior Secured Notes Issuer. On the Completion Date, the Senior Notes and the Senior Notes Issue Date Guarantees will be secured (i) on a first priority basis, by liens over the Senior Notes Proceeds Loan; and (ii) on a second priority basis, by liens over the Senior Secured Notes Proceeds Loans. Subject to the terms of the Senior Notes Indenture and the Intercreditor Agreement, certain other indebtedness and liabilities will be permitted to be secured by the Senior Notes Collateral now and in the future, including any Additional Notes issued under the Senior Notes Indenture. The security interests in the Senior Notes Collateral will be subject to the terms of the Security Documents and will be subject to limitations on enforcement and may be released under certain circumstances. See "*Description of the Senior Notes—Security—Release,*" "*Description of Certain Financing Arrangements—Intercreditor Agreement*," "*Risk Factors—Risks Related to Our Structure—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*," "*—There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes and the Notes Guarantees will be released automatically, without your consent or the consent of the relevant Trustee*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*." In addition, the Senior Notes will be subject to payment blockage, standstill and turnover provisions. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

(5) On or prior to the Issue Date, the Senior Secured Notes Issuer will enter into the Senior Revolving Credit Facility Agreement which provides for the €75.0 million Senior Revolving Credit Facility as of the Completion Date. We expect the Senior Revolving Credit Facility to be undrawn on the Completion Date. In addition, on or prior to the Issue Date, the Senior Secured Notes Issuer will enter into the Senior Guarantee Facility Agreement which provides for the Senior Guarantee Facility (€400.0 million in aggregate) as of the Completion Date. We expect substantial amounts of the Senior Guarantee Facility to be utilized on the Completion Date. Following the Completion Date, the Target Holdings will also be borrowers under the Senior Facilities. In addition, within 90 days (or 45 days in the case of entities incorporated in Germany) after the Completion Date, certain subsidiaries of the Target Holdings will become guarantors under the Senior Facilities. See "*Description of Certain Financing Arrangements—Senior Revolving Credit Facility Agreement*" for further information. The Senior Facilities will be senior obligations of the Senior Secured Notes Issuer and upon the closing of the Acquisition will be guaranteed on a senior basis by the Senior Secured Notes Guarantors. Upon completion of the Acquisition, the Senior Facilities will be secured by the same collateral that secures the Senior Secured Notes. We may elect to have certain of our subsidiaries directly borrow under the Senior Revolving Credit Facility Agreement and the Senior Guarantee Facility Agreement. The Senior Facilities will be secured on a "super priority" basis and will receive proceeds from the enforcement of the collateral in priority to the Senior Secured Notes. The lenders (including banks issuing letters of credit) under the Senior Revolving Credit Facility Agreement, the lenders (including banks issuing letters of credit) under the Senior Guarantee Facility Agreement and certain hedge counterparties are entitled to receive payments from the proceeds of an enforcement of such security interests prior to the holders of the Senior Secured Notes. See "*Description of Certain Financing Arrangements—Senior Revolving Credit Facility Agreement*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for further information.

(6) Based on the assumed Completion Date, Triton will provide approximately €347.0 million to the Senior Notes Issuer through a combination of equity and PECs. Approximately €62.5 million thereof will, indirectly through intermediate holding companies, be contributed to the share capital of Blitz and the remainder will be advanced through PECs. The amount of the Equity Contribution may be reduced to the extent that cash generated by the HX Group prior to the Completion Date is used to fund a portion of the consideration payable in the Acquisition. Subject to various factors, including the amount of cash generated during the escrow period, the amount of the Equity Contribution might vary, but will in any case amount to at least 27.5% of our Net Capitalization.

(7) The Senior Secured Notes will be senior obligations of the Senior Secured Notes Issuer and, as of the Issue Date, will be guaranteed on a senior basis by Galapagos BidCo and Blitz. The Senior Notes will be senior obligations of the Senior Notes Issuer and, as of the Issue Date, will be guaranteed on a senior subordinated basis by the Senior Secured Notes Issuer, Galapagos BidCo and Blitz. Within 90 days (or 45 days in the case of entities incorporated in Germany) after the Completion Date, the Notes will also be guaranteed on a senior basis by the Target Holdings and certain of the Target Holdings' subsidiaries that will also guarantee the Senior Facilities. The Notes Guarantees will be subject to significant contractual and legal limitations and may be released under certain circumstances. See "*Description of the Senior Secured Notes—Note Guarantees*," "*Description of the Senior Notes—Notes Guarantees*," "*Risk Factors—*"*Risks Related to the Notes*"*—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*," and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*."

(8) As of and for the year ended December 31, 2013, the revenue, EBITDA and total assets of the HX Guarantors represented 61.2%, 64.8% and 67.4% of the revenue, EBITDA and total assets of the HX Group, respectively. In addition, certain share pledges over non-Guarantor subsidiaries in Italy, France and the Czech Republic will be in place after the Completion Date. As of and for the year ended December 31, 2013, our subsidiaries in Italy, France and the Czech Republic represent 15.0%, 11.1% and 9.4% of the revenue, EBITDA and total assets of the HX Group, respectively. These revenue and total assets figures have been calculated before intercompany eliminations.

(9) On the Completion Date, the Senior Notes Issuer will loan the proceeds of the Senior Notes to the Senior Secured Notes Issuer via the Senior Notes Proceeds Loan, having the terms described under "*Description of Certain Financing Arrangements—Senior Notes Proceeds Loan*s" and the Senior Secured Notes Issuer will loan the proceeds of the Senior Secured Notes and the amount received under the Senior Notes Proceeds Loan to Galapagos BidCo via the Senior Secured Notes Proceeds Loans and a shareholder loan, having the terms described under "*Description of Certain Financing Arrangements—Senior Secured Notes Proceeds Loan*" The total amount received will be on-lent by Galapagos BidCo to Blitz under a shareholder loan agreement to fund a portion of the consideration payable in the Acquisition and transaction fees and expenses as described under "*Use of Proceeds*."

The Offerings

The following is a brief summary of certain terms of the Offerings of the Notes. It may not contain all the information that is important to you. For additional information regarding the Notes and the Notes Guarantees, see "*Description of the Senior Notes*," "*Description of the Senior Secured Notes*," and "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

Issuers:	
Senior Secured Notes Issuer	Galapagos S.A.
Senior Notes Issuer	Galapagos Holding S.A. (formerly known as Galapagos CleanCo S.à r.l.)
Notes Offered:	
Senior Secured Notes	€325,000,000 aggregate principal amount of Senior Secured Floating Rate Notes due 2021 (the "Senior Secured Floating Rate Notes"). €200,000,000 aggregate principal amount of 5.375% Senior Secured Fixed Rate Notes due 2021 (the "Senior Secured Fixed Rate Notes," and, together with the Senior Secured Floating Rate Notes, the "Senior Secured Notes").
Senior Notes	€250,000,000 aggregate principal amount of 7.000% Senior Notes due 2022 (the "Senior Notes").
Issue Date	May 30, 2014.
Issue Price:	
Senior Secured Floating Rate Notes	100.000%, plus accrued and unpaid interest from the Issue Date.
Senior Secured Fixed Rate Notes	100.000%, plus accrued and unpaid interest from the Issue Date.
Senior Notes	100.000%, plus accrued and unpaid interest from the Issue Date.
Maturity Date:	
Senior Secured Floating Rate Notes	June 15, 2021.
Senior Secured Fixed Rate Notes	June 15, 2021.
Senior Notes	June 15, 2022.
Interest Rate:	
Senior Secured Floating Rate Notes	EURIBOR plus 4.75% per annum, reset two days before the beginning of each quarterly interest period.
Senior Secured Fixed Rate Notes	5.375% per annum.
Senior Notes	7.000% per annum.
Interest Payment Dates:	
Senior Secured Floating Rate Notes	Quarterly in arrears on each March 15, June 15, September 15 and December 15, commencing on September 15, 2014. Interest will accrue from the Issue Date.
Senior Secured Fixed Rate Notes	Semi-annually in arrears on each June 15 and December 15, commencing on December 15, 2014. Interest will accrue from the Issue Date.
Senior Notes	Semi-annually in arrears on each June 15 and December 15, commencing on December 15, 2014. Interest will accrue from the Issue Date.
Form and Denomination:	Each of the Issuers will issue the respective Notes on the Issue Date in global registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof maintained in book-entry form. Notes in denominations of less than €100,000 will not be available.

Ranking of the Notes:

Senior Secured Notes

The Senior Secured Notes will:

- be general senior obligations of the Senior Secured Notes Issuer, secured as set forth under "*—Security*;"
- rank *pari passu* in right of payment with any existing and future senior indebtedness of the Senior Secured Notes Issuer that is not subordinated in right of payment to the Senior Secured Notes;
- rank senior in right of payment to all existing and future indebtedness of the Senior Secured Notes Issuer that is expressly subordinated in right of payment to the Senior Secured Notes;
- be structurally subordinated to all existing and future indebtedness of the subsidiaries of the Senior Secured Notes Issuer that do not guarantee the Senior Secured Notes, including their obligations to trade creditors; and
- be effectively subordinated to any existing and future indebtedness of the Senior Secured Notes Issuer that is secured by liens senior to the liens securing the Senior Secured Notes or property and assets that do not secure the Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness.

The Senior Secured Notes will be subject to the terms of the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Senior Secured Notes—Security*."

Senior Notes

The Senior Notes will:

- be general senior obligations of the Senior Notes Issuer, secured as set forth under "*—Security*;"
- rank *pari passu* in right of payment with any existing and future senior indebtedness of the Senior Notes Issuer that is not subordinated in right of payment to the Senior Notes;
- rank senior in right of payment to all existing and future indebtedness of the Senior Notes Issuer that is expressly subordinated in right of payment to the Senior Notes;
- be structurally subordinated to all existing and future indebtedness of the subsidiaries of the Senior Notes Issuer that do not guarantee the Senior Notes, including their obligations to trade creditors; and
- be effectively subordinated to any existing and future indebtedness of the Senior Notes Issuer that is secured by liens senior to the liens securing the Senior Notes or property and assets that do not secure the Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

The Senior Notes will be subject to the terms of the Intercreditor Agreement, including, subject to certain exceptions, payment blockage, standstill and turnover provisions. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Senior Notes—Security*."

Notes Guarantees:

Senior Secured Notes

As of the Issue Date, the Senior Secured Notes will be guaranteed on a senior basis by the Galapagos Guarantors (the "Senior Secured Notes Issue Date Guarantees").

Within 90 days (or 45 days in the case of entities incorporated in Germany) after the Completion Date, the Senior Secured Notes will be guaranteed on a senior basis by the HX Guarantors (together with the Senior Secured Notes Issue Date Guarantees, the "Senior Secured Notes Guarantees").

Senior Notes

As of the Issue Date, the Senior Notes will be guaranteed on a senior subordinated basis by the Senior Secured Notes Issuer and the Galapagos Guarantors (the "Senior Notes Issue Date Guarantees").

Within 90 days (or 45 days in the case of entities incorporated in Germany) after the Completion Date, the Senior Notes will be guaranteed on a senior subordinated basis by the HX Guarantors (together with the Senior Notes Issue Date Guarantees, the "Senior Notes Guarantees" and together with the Senior Secured Notes Guarantees, the "Notes Guarantees").

Ranking of the Notes Guarantees:

Senior Secured Notes

Each Senior Secured Notes Guarantee will:

- be a general senior obligation of such Guarantor;
- be secured as set forth under "*—Security*;"
- rank *pari passu* in right of payment with all existing and future indebtedness of such Guarantor that is not subordinated in right of payment to such Senior Secured Notes Guarantee;
- rank senior in right of payment to all existing and future indebtedness of such Senior Secured Notes Guarantor that is subordinated to in right of payment to such Senior Secured Notes Guarantee;
- be effectively subordinated to any existing and future indebtedness of such Guarantor that is property or assets that do not secure such Senior Secured Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and
- be effectively senior to all of such Guarantor's existing and future unsecured indebtedness to the extent of the assets securing such Senior Secured Notes Guarantee.

The Senior Secured Notes Guarantees will be subject to significant contractual and legal limitations and may be released under certain circumstances. See "*Description of the Senior Secured Notes—Notes Guarantees*," "*Risk Factors—Risks Related to the Notes—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability,*" "*—There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes and the Notes Guarantees will be released automatically, without your consent or the consent of the relevant Trustee*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*."

Senior Notes

Each Senior Notes Guarantee will;

- be a general senior subordinated obligation of such Guarantor;
- be secured as set forth under "*—Security*;"
- be subordinated in right of payment to all existing and future senior indebtedness of the Senior Notes Guarantors, including such Guarantor's guarantee of the Senior Secured Notes and indebtedness incurred under the Senior Revolving Credit Facility and obligations under the Senior Guarantee Facility;
- rank *pari passu* in right of payment with any future senior subordinated indebtedness of such Guarantor that is not subordinated in right of payment to such Senior Notes Guarantee;
- rank senior in right of payment to all existing and future indebtedness of such Guarantor, that is subordinated in right of payment to such Senior Notes Guarantee;
- be effectively subordinated to any existing and future indebtedness of such Guarantor that is secured on a first-priority basis by property and assets that secure such Senior Notes Guarantee on a second-priority basis or secured by property and assets that do not secure the Senior Notes Guarantees, to the extent of the value of the property and assets securing such Indebtedness; and

- be effectively senior to all of such Guarantor's existing and future unsecured indebtedness to the extent of the assets securing such Senior Notes Guarantee.

The Senior Notes Guarantees will be subject to significant contractual and legal limitations and may be released under certain circumstances. See "*Description of the Senior Notes—Notes Guarantees,*" "*Risk Factors—Risks Related to the Notes—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability,*" "*—There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes and the Notes Guarantees will be released automatically, without your consent or the consent of the relevant Trustee*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*."

Security:

Senior Secured Notes

On the Issue Date, the Senior Secured Notes and the Senior Secured Notes Issue Date Guarantees will be secured, on a first-priority basis, by liens over:

- the escrowed property deposited in the Senior Secured Notes Escrow Accounts;
- all shares of the capital stock and preferred equity certificates of each Galapagos Guarantor;
- certain bank accounts of the Senior Secured Notes Issuer and the Galapagos Guarantors;
- certain intercompany loan receivables of the Senior Secured Notes Issuer and the Galapagos Guarantors;
- receivables of the Senior Secured Notes Issuer and Blitz under certain hedging agreements and any other receivables owed to the Senior Secured Notes Issuer and Galapagos BidCo;
- receivables of Blitz under certain factoring or collection agreements;
- claims of the Senior Secured Notes Issuer and the Galapagos Guarantors against the providers of certain reports; and
- receivables of Blitz under the Acquisition Agreement.

On the Completion Date, the Senior Secured Notes and the Senior Secured Notes Guarantees Issue Date will be secured, on a first-priority basis, by Liens over:

- all shares of the capital stock of the Target Holdings; and
- the Senior Secured Notes Proceeds Loans.

Subject to certain agreed security principles and certain perfection requirements, within 90 days (or 45 days in the case of collateral located in Germany) after the Completion Date, the Senior Secured Notes and the Senior Secured Notes Guarantees will be secured, on a first-priority basis, by liens over:

- all shares of the capital stock of each HX Guarantor and certain other subsidiaries located in the Czech Republic, France and Italy held by the Senior Secured Notes Issuer and its restricted subsidiaries (to the extent not already secured as of the Completion Date);
- certain insurance receivables, bank accounts, intercompany loan receivables, trade receivables, real estate and other assets of the HX Guarantors located in Germany; and
- certain bank accounts, intercompany loan receivables, trade receivables and other assets of the HX Guarantors located in Austria, Belgium, England, Hungary, the Netherlands, Poland, Singapore, South Africa and the United States.

The obligations under the Senior Secured Notes, the Senior Revolving Credit Facility Agreement, the Senior Guarantee Facility Agreement and certain hedging obligations will be secured equally and ratably by first-priority liens over the Senior Secured Notes Collateral. Subject to the terms of the Senior Secured Notes Indenture and the Intercreditor Agreement, certain other indebtedness and liabilities will be permitted to be secured by the Senior Secured Notes Collateral now and in the future, including any Additional Notes issued under the Senior Secured Notes Indenture. Any liabilities in respect of obligations under the Senior Revolving Credit Facility Agreement, the Senior Guarantee Facility Agreement and certain hedging obligations will receive priority with respect to any proceeds received upon any enforcement action over any Senior Secured Notes Collateral. The security interests in the Senior Secured Notes Collateral will be subject to the terms of the Security Documents and will be subject to limitations on enforcement and may be released under certain circumstances. See "*Description of the Senior Secured Notes—Security—Release*," "*Description of Certain Financing Arrangements—Intercreditor Agreement*," "*Risk Factors—Risks Related to the Notes—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*," "*—There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes and the Notes Guarantees will be released automatically, without your consent or the consent of the relevant Trustee*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*."

Senior Notes

On the Issue Date, the Senior Notes and the Senior Notes Issue Date Guarantees will be secured:

- on a first-priority basis, by liens over the escrowed property deposited in the Senior Notes Escrow Account and all shares of the capital stock and preferred equity certificates of the Senior Secured Notes Issuer, and certain bank accounts of the Senior Notes Issuer; and
- on a second-priority basis, by liens over all shares of the capital stock and preferred equity certificates of Galapagos BidCo, all shares of the capital stock of Blitz and certain intercompany loan receivables of the Senior Secured Notes Issuer.

On the Completion Date, the Senior Notes and the Senior Notes Issue Date Guarantees will be secured:

- on a first-priority basis, by liens over the Senior Notes Proceeds Loans; and
- on a second-priority basis, by liens over the Senior Secured Notes Proceeds Loans.

Subject to the terms of the Senior Notes Indenture and the Intercreditor Agreement, certain other indebtedness and liabilities will be permitted to be secured by the Senior Notes Collateral now and in the future, including any Additional Notes issued under the Senior Notes Indenture. The security interests in the Senior Secured Notes Collateral will be subject to the terms of the Security Documents and will be subject to limitations on enforcement and may be released under certain circumstances. See "*Description of the Senior Notes—Security—Release*," "*Risk Factors—Risks Related to the Notes—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*," "*—There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes and the Notes Guarantees will be released automatically, without your consent or the consent of the relevant Trustee*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*."

Escrow of Proceeds; Special Mandatory Redemption:

Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering of the Senior Secured Notes less certain deductions with respect to fees into the Senior Secured Notes Escrow Accounts and the gross proceeds from the Offering of the Senior Notes less certain deductions with respect to fees into the Senior Notes Escrow Account, in each case with the Escrow Agent. Each Escrow Account will be controlled by the Escrow Agent, and pledged on a first-priority basis in favor of, the applicable Trustee in its relevant capacity on behalf of the holders of the relevant Notes. Upon delivery to the applicable Trustee in its relevant capacity and the Escrow Agent of an officer's certificate stating that the conditions to the release of the proceeds from escrow are satisfied, the Senior Secured Notes escrowed funds will be released to the Senior Secured Notes Issuer and the Senior Notes escrowed funds will be released to the Senior Notes Issuer and utilized as described in "*The Transactions*," "*Use of Proceeds*," "*Description of the Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Description of the Senior Notes—Escrow of Proceeds; Special Mandatory Redemption."* The release of escrow proceeds will be subject to the satisfaction of certain conditions, including the consummation of the Acquisition. The consummation of the Acquisition pursuant to the Acquisition Agreement is subject to the satisfaction of certain conditions, including regulatory approval.

In the event that (a) the Completion Date and the release of escrow proceeds does not take place on or prior to March 31, 2015, (b) in the reasonable judgment of the Senior Secured Notes Issuer or the Senior Notes Issuer, as applicable, the Acquisition will not be consummated by March 31, 2015, (c) the Acquisition Agreement terminates at any time prior to March 31, 2015, (d) the Triton Funds cease to beneficially own and control a majority of the issued and outstanding capital stock of the Senior Secured Notes Issuer or the Senior Notes Issuer or (e) certain insolvency default or event of default events occur on or prior to March 31, 2015, each of the Senior Secured Notes and the Senior Notes will be subject to a special mandatory redemption. The special mandatory redemption price will, in each case, be a price equal to 100% of the aggregate issue price of the relevant Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the date of special mandatory redemption. The relevant escrow funds would be applied to pay for any such special mandatory redemption. The Triton Funds will be required to fund the accrued and unpaid interest and additional amounts, if any, payable to holders of the relevant Notes in the event of a special mandatory redemption, together with the amount of any fees deducted from the gross proceeds of the Offerings, pursuant to a guarantee provided by the Triton Funds. See "*Description of the Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*," "*Description of the Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Risk Factors—Risks Related to the Transactions—If the conditions to the escrow are not satisfied, the Issuers will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*."

Use of Proceeds:

The Issuers intend to use the net proceeds from the Offerings (equal to the gross proceeds from the Offerings after deducting the Initial Purchasers' commissions and certain estimated expenses to be incurred in connection with the Offerings, including legal, accounting and other professional fees), together with the proceeds from the Equity Contribution, to fund (i) the total consideration to be paid in the Acquisition and (ii) the estimated fees and expenses incurred in connection with the Acquisition, including commitment, placement, financial advisory and other transaction costs and professional fees. See "*The Transactions—The Financing.*"

Optional Redemption:

Senior Secured Floating Rate Notes

The Senior Secured Notes Issuer may redeem all or part of the Senior Secured Floating Rate Notes at any time on or after June 15, 2015 at the redemption prices described under "*Description of the Senior Secured Notes—Optional Redemption*."

	At any time prior to June 15, 2015, the Senior Secured Notes Issuer may redeem all or part of the Senior Secured Floating Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus a "make-whole" premium, as described under "*Description of the Senior Secured Notes—Optional Redemption*."
Senior Secured Fixed Rate Notes	The Senior Secured Notes Issuer may redeem all or part of the Senior Secured Fixed Rate Notes at any time on or after June 15, 2017 at the redemption prices described under "*Description of the Senior Secured Notes—Optional Redemption*." At any time prior to June 15, 2017, the Senior Secured Notes Issuer may redeem all or part of the Senior Secured Fixed Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus a "make-whole" premium, as described under "*Description of the Senior Secured Notes—Optional Redemption*." At any time prior to June 15, 2017, the Senior Secured Notes Issuer may on one or more occasions redeem up to 40% of the aggregate principal amount of the Senior Secured Fixed Rate Notes, using the net proceeds from certain equity offerings at a redemption price equal to 105.375% of the principal amount of the Senior Secured Fixed Rate Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; provided that at least 60% of the original aggregate principal amount of the Senior Secured Fixed Rate Notes remains outstanding after the redemption. See "*Description of the Senior Secured Notes—Optional Redemption*." At any time prior to June 15, 2017, the Senior Secured Notes Issuer may redeem up to 10% of the principal amount of the Senior Secured Fixed Rate Notes in each 12-month period commencing on the Issue Date at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any. See "*Description of the Senior Secured Notes—Optional Redemption*."
Senior Notes	The Senior Notes Issuer may redeem all or part of the Senior Notes at any time on or after June 15, 2017 at the redemption prices *described under "Description of the Senior Notes—Optional Redemption."* At any time prior to June 15, 2017, the Senior Notes Issuer may redeem all or part of the Senior Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus a "make-whole" premium, as described under "*Description of the Senior Notes —Optional Redemption."* At any time prior to June 15, 2017, the Senior Notes Issuer may on one or more occasions redeem up to 40% of the aggregate principal amount of the Senior Notes, using the net proceeds from certain equity offerings at a redemption price equal to 107.000% of the principal amount of the Senior Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; provided that at least 60% of the original aggregate principal amount of the Senior Notes remains outstanding after the redemption. See "*Description of the Senior Notes—Optional Redemption."*
Additional Amounts; Tax Redemption:	Any payments made by or on behalf of the relevant Issuer, any future guarantor or applicable paying agent with respect to the Notes will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. Subject to certain exceptions and limitations, if the relevant Issuer or applicable future guarantor or paying agent is required by law to withhold or deduct such taxes with respect to a payment on any Note, the relevant Issuer or such future guarantor will pay the additional amounts necessary so that the net amount received after such withholding is not less than the amount that would have been received in the absence of the withholding. See "*Description of the Senior Secured Notes—Withholding Taxes*" and "*Description of the Senior Notes—Withholding Taxes.*"

Subject to and as set forth in "*Description of the Senior Secured Notes—Withholding Taxes*" and "*Description of the Senior Notes—Withholding Taxes*," the relevant Issuer will not be liable to pay any additional amounts to holders of the Notes in certain circumstances.

If certain changes in the law of any relevant taxing jurisdiction become effective after the issuance of the Notes that would impose withholding taxes or other deductions on the payments on the Senior Secured Notes or the Senior Notes, and would require the Senior Secured Notes Issuer or the Senior Notes Issuer to pay Additional Amounts (as defined in "*Description of the Senior Secured Notes—Withholding Taxes*" and "*Description of the Senior Notes—Withholding Taxes*"), the Senior Secured Notes Issuer or the Senior Notes Issuer, respectively, may redeem the Senior Secured Notes or the Senior Notes, respectively, 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 Senior Secured Notes—Redemption for Taxation Reasons*" and "*Description of the Senior Notes—Redemption for Taxation Reasons*."

Change of Control:

Upon certain events constituting a change of control under the applicable Indenture, the holders of the Notes will have the right to require the relevant 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 purchase. Under the Indentures, a change of control will not be deemed to have occurred on one occasion if certain consolidated leverage ratios are not exceeded as a result of a Specified Change of Control Event (as defined in "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*"). See "*Description of the Senior Secured Notes—Change of Control*" and "*Description of the Senior Notes—Change of Control*."

Certain Covenants:

The Indentures will limit, among other things, the ability of the Issuers and their respective restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- 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;
- enter into certain transactions with affiliates; and
- impair the security interests for the benefit of the holders of the applicable Notes.

Certain of the covenants will be suspended if and for as long as the applicable Notes achieve investment-grade ratings. See "*Description of the Senior Secured Notes—Certain covenants—Suspension of Covenants when Notes rated Investment Grade*" and "*Description of the Senior Notes—Certain covenants—Suspension of Covenants when Notes rated Investment Grade*."

Each of the covenants in the Indentures will be subject to significant exceptions and qualifications. See "*Description of the Senior Secured Notes—Certain covenants*" and "*Description of the Senior Notes—Certain covenants*."

Original Issue Discount:	The Notes may be issued with more than *de minimis* original issue discount ("OID") for U.S. federal income tax purposes. Accordingly, a U.S. Holder (as defined under "*Certain Tax Consequences—U.S. Taxation*") generally would be required to include OID in gross income as ordinary interest income for U.S. federal income tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, before such U.S. Holder receives any cash payment attributable to such income and regardless of such U.S. Holder's regular method of accounting for U.S. federal income tax purposes. Each U.S. Holder should consult its own tax advisor regarding the tax consequences of holding Notes issued with OID for U.S. federal income tax purposes.
Transfer Restrictions:	The Notes have not been, and will not be, registered under U.S. federal or state or any foreign securities laws and are subject to restrictions on resale. See "*Important Information About This Offering Memorandum*." We are under no obligation to, nor do we intend to, register the Notes in the United States.
Absence of a Public Market for the Notes:	The Notes will be new securities for which there will be no established trading market. Accordingly, we 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 U.S. 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.
Admission to Trading and Listing:	We have applied to list the Notes on the Official List of the LxSE and to admit the Notes to trading on Euro MTF Market of the LxSE.
Governing Law:	The Notes and the Indentures (including the Guarantees) will be governed by New York law. The Intercreditor Agreement, the Senior Revolving Credit Facility Agreement and the Senior Guarantee Facility Agreement will be governed by English law. The provisions of articles 86 to 94-8 of the Luxembourg Companies Act are expressly excluded and shall not apply to the Notes. The security documents will be governed by the laws of Austria, Belgium, the Czech Republic, France, Germany, Hungary, Italy, Luxembourg, the Netherlands, Poland, Singapore, South Africa, England, Delaware (United States) or Alabama (United States), as applicable.
Senior Secured Notes Trustee:	Deutsche Trustee Company Limited.
Senior Notes Trustee:	Deutsche Trustee Company Limited.
Security Agent:	UniCredit Bank AG, London Branch.
Paying Agent:	Deutsche Bank AG, London Branch.
Calculation Agent:	Deutsche Bank AG, London Branch.
Transfer Agent:	Deutsche Bank Luxembourg S.A.
Registrar:	Deutsche Bank Luxembourg S.A.
Escrow Agent:	Deutsche Bank AG, London Branch.
Listing Agent:	Deutsche Bank Luxembourg S.A.

SUMMARY COMBINED FINANCIAL AND OTHER INFORMATION

The financial information contained in the following tables is derived from the audited combined financial statements of the HX Group as of and for the financial years ended December 31, 2011, 2012 and 2013 and the unaudited combined condensed financial statements of the HX Group as of and for the three-month periods ended March 31, 2013 and 2014, each prepared in accordance with IFRS and related interpretations of the International Accounting Standards Board ("IASB"). Some of the performance indicators and ratios shown below were taken from the HX Group's accounting records or management reporting system and are not included in the audited combined financial statements of the HX Group or in the unaudited combined condensed financial statements for the three-month periods ended March 31, 2013 and 2014. The results of operations for interim periods or prior years are not necessarily indicative of the results to be expected for the full year or any future period.

Information for the twelve months ended March 31, 2014 has been calculated by taking the amounts for the three-month period ended March 31, 2014 and adding it to the difference between the amounts for the full year ended December 31, 2013 and the three-month period ended March 31, 2013.

The entire share capital of the HX Holding and HX AT, as well as the 10% interest held by GEA AG in GEA Küba GmbH (the remaining 90% interest being held by HX Holding), will be acquired by Blitz on the Completion Date as part of the Transactions.

The Senior Notes Issuer and the Senior Secured Notes Issuer were formed on April 4, 2014, Galapagos BidCo was formed on April 4, 2014 and Blitz was formed on March 12, 2014, each for the purposes of facilitating the Transactions. None of them have any business operations or material assets or liabilities other than those incurred in connection with their incorporation and the Transactions. In the future, we will report our financial results at the Senior Notes Issuer level on a consolidated basis.

The Acquisition will be accounted for using the purchase method of accounting. Under IFRS 3 "Business Combinations," the cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred and the equity interests issued by the acquirer, including the fair value of any asset or liability incurred and the equity interests issued by the acquirer, including the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair market values at the acquisition date. The excess of the consideration transferred over the fair value of the acquirer's share of the identifiable net assets acquired is recorded as goodwill. Since the Acquisition has not been consummated as of the date of this offering memorandum, we have not identified the fair value of assets acquired and liabilities to be assumed at the date of the Acquisition. In accordance with IFRS, we have up to 12 months from the Completion Date to finalize the allocation of the purchase price.

Where financial information in the following tables is labeled "audited," this means that such financial information was taken from the audited combined financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial information that was taken or derived from the HX Group's unaudited combined condensed financial statements for the three-month periods ended March 31, 2013 and 2014, HX Group's accounting records or management reporting system and not included in the audited combined financial statements mentioned above. Unless stated otherwise, all the financial data presented in the text and tables in this section of the offering memorandum is shown in millions of euro (€ million), commercially rounded to one decimal point. Because of this rounding, the figures shown in the tables do not in all cases add up exactly to the respective totals given.

We include certain financial information on an adjusted basis to give pro forma effect to the Transactions and the application of the proceeds from the Financing, including combined financial data as adjusted to reflect the effect of the Transactions on our indebtedness as if the Transactions had occurred on March 31, 2014 and our interest expense as if the Transactions occurred on April 1, 2013. The as adjusted financial information has been prepared for illustrative purposes only and does not represent what our indebtedness or interest expense would have been had the Transactions occurred on March 31, 2014, or April 1, 2013, respectively, nor does it purport to project our indebtedness or interest expense at any future date. The as adjusted financial information has not been prepared in accordance with IFRS. Neither the assumptions underlying the pro forma adjustments nor the resulting as adjusted financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

Prospective investors should bear in mind that the performance indicators and ratios that we report herein, such as EBITDA, Adjusted EBITDA and Adjusted EBITDA margin (each as defined in this offering memorandum) and leverage and coverage ratios, are not financial measures defined in accordance with IFRS or U.S. GAAP and, as such, may be calculated by other companies using different methodologies and having different results. Therefore, these performance indicators and ratios are not directly comparable to similar figures and ratios reported by other companies.

The following selected financial information should be read together with the sections "*Presentation of Financial Information*," "*Selected Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and the combined financial statements contained in this offering memorandum and the related notes and the additional financial information contained elsewhere in this offering memorandum.

You should regard the selected financial information and other business data below only as an introduction and should base your investment decision on a review of the offering memorandum in its entirety.

Summary Combined Income Statement

The following table shows summary combined income statement data of the HX Group for the financial years ended December 31, 2011, 2012 and 2013, for the three-month periods ended March 31, 2013 and 2014 and for the twelve months ended March 31, 2014:

	Financial year ended December 31,			Three-month period ended March 31,		Twelve months ended March 31,
	2011	2012	2013	2013	2014	2014
				(in € million)		
		(audited)			(unaudited)	
Revenue	1,616.8	1,608.8	1,489.1	318.1	311.4	1,482.4
Cost of sales	1,216.8	1,195.1	1,100.1	236.9	232.5	1,095.6
Gross profit	**400.0**	**413.7**	**389.0**	**81.2**	**79.0**	**386.8**
Selling expenses	149.9	156.2	160.4	38.4	36.9	158.8
Research and development expenses	11.8	12.2	13.7	3.2	3.1	13.6
General administrative expenses	97.8	93.2	91.7	23.3	21.6	90.0
Other income(1)	39.2	35.3	35.5	7.7	11.0	38.8
Other expenses(2)	62.2	57.2	43.1	6.7	11.3	47.5
Share of profit or loss of equity-accounted investments	1.6	0.9	0.6	—	—	0.6
Earnings before interest and tax (EBIT)	**119.0**	**131.0**	**116.3**	**17.2**	**17.2**	**116.3**
Interest income	4.6	7.5	8.5	2.1	0.4	6.7
Interest expense	19.0	22.2	18.8	4.6	1.0	15.2
Profit before tax	**104.6**	**116.3**	**106.0**	**14.7**	**16.6**	**107.8**
Income taxes	37.4	37.1	32.9	4.6	4.8	33.1
Profit after tax	**67.3**	**79.2**	**73.1**	**10.2**	**11.8**	**74.7**
Combined profit for the period	**67.3**	**79.2**	**73.1**	**10.2**	**11.8**	**74.7**
of which attributable to non-controlling interests	0.7	2.2	0.4	0.0	—	0.3

(1) Other income comprises the line items other income and other financial income of the combined income statement of the HX Group.

(2) Other expenses comprise the line items other expenses and other financial expenses of the combined income statement of the HX Group.

Summary Combined Balance Sheet

The following table shows summary combined balance sheet data of the HX Group as of December 31, 2011, 2012 and 2013 and as of March 31, 2014:

	As of December 31,			As of March 31,
	2011	2012	2013	2014
		(in € million) (audited)		(unaudited)
Assets				
Property, plant and equipment	272.9	254.2	244.9	253.6
Intangible assets[(1)]	168.4	167.9	164.6	163.5
Other non-current assets[(2)]	70.6	125.4	62.3	62.3
Non-current assets	**511.9**	**547.5**	**471.9**	**479.4**
Inventories	198.4	181.8	142.3	162.6
Trade receivables	426.7	415.3	414.2	411.7
Income tax receivables	4.1	8.1	4.7	4.5
Other current financial assets	338.4	342.0	271.7	56.9
Cash and cash equivalents	164.2	148.2	112.3	88.2
Assets held for sale	—	9.1	8.3	—
Current assets	**1,131.7**	**1,104.6**	**953.5**	**723.9**
Total assets	**1,643.5**	**1,652.1**	**1,425.3**	**1,203.3**
Equity and liabilities				
Equity	**372.7**	**392.7**	**504.5**	**515.6**
Non-current financial liabilities	71.7	252.9	26.0	39.3
Other non-current liabilities[(3)]	62.6	68.8	61.3	61.8
Non-current liabilities	**134.3**	**321.6**	**87.3**	**101.1**
Current financial liabilities	466.1	316.7	272.4	76.1
Trade payables	285.3	231.8	238.5	193.2
Other current liabilities[(4)]	385.1	389.4	322.7	317.2
Current liabilities	**1,136.5**	**937.8**	**833.6**	**586.5**
Total equity and liabilities	**1,643.5**	**1,652.1**	**1,425.3**	**1,203.3**

(1) Intangible assets comprise the line items goodwill and other intangible assets of the combined balance sheet of the HX Group.

(2) Other non-current assets comprise the line items equity-accounted investments, other non-current financial assets and deferred taxes of the combined balance sheet of the HX Group.

(3) Other non-current liabilities comprise the line items non-current provisions, non-current employee benefit obligations, other non-current liabilities and deferred taxes of the combined balance sheet of the HX Group.

(4) Other current liabilities comprise the line items current provisions, current employee benefit obligations, income tax liabilities and other current liabilities of the combined balance sheet of the HX Group.

Summary Combined Cash Flow Statement

The following table shows summary combined cash flow statement data of the HX Group for the financial years ended December 31, 2011, 2012 and 2013, for the three-month periods ended March 31, 2013 and 2014 and for the twelve months ended March 31, 2014:

	Financial year ended December 31,			Three-month period ended March 31,		Twelve months ended March 31,
	2011	2012	2013	2013	2014	2014
				(in € million)		
		(audited)			(unaudited)	
Cash flow from operating activities	106.5	121.2	131.8	(12.0)	(39.1)	104.7
Cash flow from investing activities	(17.9)	(26.9)	(28.2)	(1.6)	(3.5)	(30.1)
Cash flow from financing activities	(67.6)	(108.4)	(120.3)	(11.4)	18.9	(90.0)
Effect of exchange rate changes on cash and cash equivalents	(7.5)	(3.7)	(13.8)	(1.2)	(0.7)	(13.3)
Change in unrestricted cash and cash equivalents	13.5	(17.8)	(30.4)	(26.2)	(24.4)	(28.6)
Unrestricted cash and cash equivalents at end of period	160.4	142.6	112.2	116.4	87.9	87.9
Restricted cash and cash equivalents	3.7	5.6	0.0	0.4	0.3	0.3
Cash and cash equivalents reported in the combined balance sheet	**164.2**	**148.2**	**112.3**	**116.8**	**88.2**	**88.2**

Other Historic and As Adjusted Financial Data

The following table shows selected other historical and as adjusted financial data of the HX Group for the financial years ended December 31, 2011, 2012 and 2013, for the three-month periods ended March 31, 2013 and 2014 and for the twelve months ended March 31, 2014:

	Financial year ended December 31,			Three-month period ended March 31,		Twelve months ended March 31,
	2011	2012	2013	2013	2014	2014
			(in € million, unless otherwise indicated) **(unaudited, unless otherwise indicated)**			
EBITDA(1), (2), (3)	161.3	168.0	155.4	26.0	25.8	155.3
Adjusted EBITDA (2), (3)	164.4	168.5	153.3	26.1	27.2	154.4
Adjusted EBITDA margin(2), (4)	10.2%	10.5%	10.3%	8.2%	8.7%	10.4%
Cash flow available for debt service(5)	88.6	94.3	103.7	(13.5)	(42.6)	74.6
Capital expenditures(6)	30.4	36.0	30.8	2.2	3.9	32.4
Trade working capital(7)	184.4	182.9	173.2	217.4	233.3	233.3
As adjusted cash and cash equivalents(8)						48.0
As adjusted net total secured indebtedness(2), (9)						488.3
As adjusted total indebtedness(2), (10)						787.4
As adjusted net indebtedness(2), (11)						739.4
As adjusted interest expense(2), (12)						45.4
Ratio of as adjusted total net secured indebtedness to Adjusted EBITDA(2), (3), (9)						3.2x
Ratio of as adjusted net indebtedness to Adjusted EBITDA(2), (3), (11)						4.8x
Ratio of Adjusted EBITDA to as adjusted interest expense(2), (3), (12)						3.4x

(1) This measure is audited for the financial years ended December 31, 2011, 2012 and 2013.

(2) This measure is not a defined financial indicator 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. See "*Presentation of Financial Information.*"

(3) EBITDA is defined as earnings before interest and tax ("EBIT") and before depreciation and amortization. EBITDA as presented herein differs from EBITDA as defined in the Indentures governing the Notes. Adjusted EBITDA is defined as EBITDA after applying adjustments to eliminate certain non-recurring items. Adjustments to EBITDA include restructuring costs, mainly relating to plant closures and capacity adjustments, extraordinary expenses relating to previously non-consolidated entities, mainly relating to the first time consolidation impact of an entity in Dubai, extraordinary gains and losses related to discontinued activities, mainly relating to former business activities in Turkey and Russia and unusual provision releases, net, mainly relating to changes in contractual provisions in China. Please find a reconciliation calculation from EBIT to EBITDA and Adjusted EBITDA and adjustments made to calculate Adjusted EBITDA for the periods indicated below:

	Financial year ended December 31,			Three-month period ended March 31,		Twelve months ended March 31,
	2011	2012	2013	2013	2014	2014
	(in € million, unless otherwise indicated) **(unaudited, unless otherwise indicated)**					
EBIT	**119.0***	**131.0***	**116.3***	**17.2**	**17.2**	**116.3**
Depreciation and amortization impairment losses and reversal of impairment losses on non current assets	42.3	37.0	39.1	8.8	8.7	39.0
EBITDA[(a)]	**161.3**	**168.0**	**155.4**	**26.0**	**25.9**	**155.3**
Restructuring [(b)]	11.4	5.7	2.7	0.1	—	2.6
Extraordinary expenses relating to non-consolidated entities[(c)]	—	1.5	2.1	—	—	2.1
Extraordinary gains/losses related to discontinued activities[(d)]	2.5	(2.5)	(7.0)	—	2.0	(5.0)
Unusual provision releases, net[(e)]	(10.8)	(4.2)	0.1	—	(0.6)	(0.5)
Adjusted EBITDA	164.4	168.5	153.3	26.1	27.2	154.4

* audited

(a) This measure is not a defined financial indicator 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. See "*Presentation of Financial Information.*"

(b) Restructuring activities within HX mainly relate to plant closures and capacity adjustments in Turkey, Germany, Mexico, Canada, the United Kingdom and Brazil. We expect to further restructure our Group in the future, which would lead to restructuring expenses in future financial periods.

(c) These items relate to expenses of a non-consolidated entity in Saudi Arabia which were included in the HX Group's combined financial statements due to materiality issues. In addition, there was a first time consolidation impact of an entity in Dubai which was previously not consolidated.

(d) These non-recurring items relate to former business activities in Turkey and Russia which will not be continued and comprise gains on the sale of a building as well as build and release of major contractual provisions.

(e) This mainly comprises material changes in contractual provisions, in particular in China.

(4) Adjusted EBITDA margin represents Adjusted EBITDA divided by revenue.

(5) An unaudited reconciliation between Cash flow available for debt service and EBITDA is as follows:

	Financial year ended December 31,			Three-month period ended March 31,		Twelve months ended March 31,
	2011	2012	2013	2013	2014	2014
	(in € million) **(unaudited unless otherwise indicated)**					
EBITDA[(a)]	**161.3**	**168.0**	**155.4**	**26.0**	**25.9**	**155.3**
Change in trade working capital[(b)]	2.6	4.9	9.8	(31.1)	(60.9)	(20.0)
Tax payments	(28.0)*	(28.1)*	(21.9)*	(3.6)	(2.7)	(21.0)
Cash flow from investing activities	(17.9)*	(26.9)*	(28.2)*	(1.6)	(3.5)	(30.1)
thereof capital payments to acquire property, plant and equipment, and intangible assets	(30.4)*	(36.0)*	(30.8)*	(2.2)	(3.9)	(32.5)
Other cash payments[(c)]	(29.4)	(23.6)	(11.5)	(3.3)	(1.4)	(9.6)
Cash flow available for debt service[(a)]	**88.6**	**94.3**	**103.7**	**(13.5)**	**(42.6)**	**74.6**

* audited

(a) This measure is not a defined financial indicator 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. See "*Presentation of Financial Information.*"

(b) Change in trade working capital includes changes in inventories including unbilled construction contracts, change in trade receivables, change in trade receivables from GEA Group AG and affiliated companies, change in trade payables and change in trade payables to GEA Group AG and affiliated companies, each as shown on the combined cash flow statement.

(c) Other cash payments are defined as the total of other non-cash income and expense, employee benefit obligations, change in provisions, gain/loss on disposal of non-current assets and change in other operating assets and liabilities.

(6) Capital expenditures are defined as capital payments to acquire property, plant and equipment, and intangible assets (audited). Capital expenditures mainly consist of maintenance and replacement projects within our existing plant portfolio as well as of expansionary projects to address new products, customers and regions. Expansionary projects also include quality improvement and rationalization and research and development projects.

(7) Trade working capital is defined as the total of inventory and trade receivables, including gross amount due from customers for contract work less, trade payables and advance payments. Advance payments are defined as total of payments on account received in respect of orders and construction contracts and gross amount due to customers for contract work.

(8) As adjusted cash and cash equivalents represents an assumed amount giving pro forma effect to the Transactions and the application of the proceeds from the Financing as if the Transactions occurred on March 31, 2014. This represents a €25.0 million minimum amount of operational cash anticipated to remain on the balance sheet as of the Completion Date and approximately €23.0 million of cash and cash equivalents relating to the Medupi project held by GEA Aircooled Systems (Pty) Ltd. as of March 31, 2014 (based on exchange rates in effect on such date). The actual amount of cash and cash equivalents may vary.

(9) As adjusted net total secured indebtedness represents the principal amount of our loans and borrowings (including secured financing lease obligations) after giving pro forma effect to the Transactions and the application of the proceeds from the Financing as if the Transactions occurred on March 31, 2014 less as adjusted cash and cash equivalents.

(10) As adjusted total indebtedness represents the principal amount of our loans and borrowings (including financing lease obligations) after giving pro forma effect to the Transactions and the application of the proceeds from the Financing as if the Transactions occurred on March 31, 2014.

(11) As adjusted net indebtedness represents as adjusted total indebtedness less as adjusted cash and cash equivalents.

(12) As adjusted interest expense represents our net interest expense on pro forma total indebtedness, including the Senior Revolving Credit Facility and the Notes, for the twelve months ended March 31, 2014, after giving effect to the Transactions and the application of the proceeds from the Financing as if the Transactions occurred on April 1, 2013. As adjusted interest expense has been presented for illustrative purposes only and does not purport to be what our interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.

Operating Data

The following table shows selected operating data of the HX Group for the financial years ended December 31, 2011, 2012 and 2013, for the three-month periods ended March 31, 2013 and 2014 and for the twelve months ended March 31, 2014:

	Financial year ended December 31,			Three-month period ended March 31,		Twelve months ended March 31,
	2011	2012	2013	2013	2014	2014
	(in € million, unless otherwise indicated) **(unaudited)**					
Summary operating information						
Order intake[(1)]	1,653.2	1,509.8	1,500.3	361.9	399.7	1,538.1
Order backlog at the end of the reporting period[(2)]	1,086.0	933.3	805.1	979.3	878.8	878.8
thereof:						
S&T	76.7	45.8	51.2	56.9	70.4	
PHE	109.2	134.2	70.7	132.9	75.0	
AT	58.6	56.1	53.8	67.1	67.8	
AFC-CS	95.1	77.7	82.0	85.6	93.2	
AFC-ST	155.3	120.6	163.6	130.4	217.6	
ACCH	529.1	432.7	335.9	423.7	306.4	
WET	67.9	65.4	50.5	63.6	51.5	

(1) We book order intake upon binding placement of orders for the sale of goods or services and construction contracts during the reporting period. An order is considered to be binding when the contract has been signed by both parties or a down payment has been agreed with our customer and payment has been received. Cancellations of orders placed with the reporting period reduce the corresponding order intake. For further information regarding order intake, please see the relevant discussion in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations.*"

(2) Order backlog at the end of the reporting period represents future sales potential from orders for products and services which have been recorded as order intake. Order backlog only includes orders where customers have given a binding commitment to fulfill the order. Order cancellations are not included in the order backlog and changes of existing orders affect the order backlog to the extent the value of the changed order is in excess or less than the amended original order. For further detail regarding order backlog, please see the relevant discussion in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations.*"

Segment Reporting

Our business comprises seven segments, which correspond to our seven operational business units Shell & Tube ("S&T"), Plate Heat Exchangers ("PHE"), Air Treatment ("AT"), AFC Compact Systems ("AFC-CS"), AFC Single Tube ("AFC-ST"), ACC/Heller ("ACCH") and Wet Cooling ("WET"). These business units were established during the year ended December 31, 2011 as part of the reorganization and separation of our business from the GEA Group. The segment reporting, which reflects the internal management and reporting structures, was established only for the financial years ended December 31, 2012 and 2013. As a result, no financial data by segment is available for the year ended December 31, 2011. Any reference in this offering memorandum to "business units" should be read as reference to our seven operational business units which have been established as business units in the year ended December 31, 2011, and which have been reported as segments in our combined financial statements for the years ended December 31, 2012 and 2013.

The following table shows selected other financial data by operational business unit of the HX Group (without administration and consolidation items) for the financial years ended December 31, 2012 and 2013, for the three-month periods ended March 31, 2013 and 2014 and for the twelve months ended March 31, 2014:

	Financial year ended December 31,		Three-month period ended March 31,		Twelve months ended March 31,
	2012	2013	2013	2014	2014
			(in € million)		
	(audited)		(unaudited)		
S&T					
Revenue	126.3	99.4	19.3	23.2	103.3
EBIT	18.1	10.5	1.8	3.1	11.8
Depreciation and amortization	3.1	2.9	0.7	0.7	2.9
Impairments and reversal of impairments	0.8	0.4	—	—	0.4
EBITDA(1)	22.0	13.8	2.4	3.8	15.2
PHE					
Revenue	240.4	271.7	59.0	47.5	260.2
EBIT	15.5	20.6	4.8	2.9	18.7
Depreciation and amortization	6.8	7.1	1.6	1.6	7.2
Impairments and reversal of impairments	—	0.0	—	—	0.0
EBITDA(1)	22.3	27.7	6.4	4.4	25.7
AT					
Revenue	302.2	299.9	65.0	62.1	297.1
EBIT	18.0	23.9	0.5	(0.0)	23.4
Depreciation and amortization	7.2	5.9	1.5	1.4	5.8
Impairments and reversal of impairments	(2.9)	(0.3)	—	—	(0.3)
EBITDA(1)	22.3	29.5	2.0	1.4	28.9
AFC-CS					
Revenue	286.8	251.3	54.9	54.1	250.5
EBIT	35.1	28.3	4.6	5.0	28.7
Depreciation and amortization	7.6	8.6	2.0	2.2	8.8
Impairments and reversal of impairments	1.2	1.6	—	—	1.6
EBITDA(1)	43.9	38.6	6.6	7.3	39.3
AFC-ST					
Revenue	228.9	222.3	45.6	51.1	227.8
EBIT	12.3	20.1	2.8	3.6	20.9
Depreciation and amortization	6.2	6.2	1.5	1.3	6.0
Impairments and reversal of impairments	(0.0)	—	—	—	—
EBITDA(1)	18.5	26.3	4.4	4.9	26.8
ACCH					
Revenue	316.3	245.8	52.2	53.1	246.7
EBIT	25.7	12.2	0.9	2.6	13.9
Depreciation and amortization	4.0	4.1	1.0	0.8	3.9
Impairments and reversal of impairments	0.0	—	—	—	—
EBITDA(1)	29.7	16.4	1.8	3.4	18.0
WET					
Revenue	107.9	98.7	22.1	20.3	96.9
EBIT	5.3	6.4	1.0	(1.8)	3.7
Depreciation and amortization	2.4	1.8	0.4	0.4	1.8
Impairments and reversal of impairments	0.1	—	—	—	—
EBITDA(1)	7.8	8.2	1.4	(1.3)	5.5

(1) This measure is not a defined financial indicator under IFRS. It should be noted in this context that not all companies calculate 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. See "*Presentation of Financial Information*."

RISK FACTORS

An investment in the Notes involves risks. Before purchasing the Notes, you should consider carefully the specific risk factors set forth below, as well as the other information contained in this offering memorandum. Any of the risks described below could have a material adverse impact on our business, prospects, results of operations and financial condition and could therefore have a negative effect on the trading price of the Notes and our ability to pay all or part of the interest or principal on the Notes. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

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

Risks Relating to the Market and our Business

We are affected by developments in the broader economy.

The markets in which we operate are materially influenced by the general economic situation and its cycles and volatility. The levels of economic activity vary widely in the different regions and countries where we operate and, in some of these regions and countries, typically display cyclical changes and fluctuations at intervals shorter than a year. A downturn in the general economic activity as well as in the markets in which we operate, in particular in Western Europe and Asia Pacific, where we generated 43.5% and 18.7% of our total revenue, respectively, in the year ended December 31, 2013, could lead, among other effects, to a reduced demand for our products and services, increasing price pressure or an increasing inability of our customers to make payments. Such negative economic developments could have a negative impact on our revenues and business prospects, which in turn could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Many of the industries in which we operate are cyclical and subject to different industry developments, and our results have been and could be affected by such cycles and developments.

We serve a variety of end-markets, in particular the power industry, the climate and environment industry, the oil and gas industry, the food and beverages industry, the chemical industry and the marine industry. Demand for our products and services is to a large extent dependent on the level of investment in these industries, which in turn is affected by macro-economic factors such as economic growth, consumer confidence, credit availability and capital investments in plant infrastructure. These industries are also characterized by different trends and market drivers. A negative development in any of these industries could have a negative impact on our business, financial position and results of operations. For example, the demand for our products in the power industry depends in part on the continued construction of new power generation and related facilities and the retrofitting of existing facilities. The power generation industry is cyclical and has experienced periods of little or no growth in the past. Any negative development in the power generation industry (*e.g.*, should the underlying installed capacity of power plants not grow at the expected rate in the next years) that results in a decrease in new construction or refurbishment of power plants, could have a material adverse effect on our business. In addition, the oil and gas industry faces tightening regulatory mechanisms in the United States as a result of the recent oil spill in the Gulf of Mexico, so that it has become more difficult to acquire a drilling permit, and, as a result of the European debt crisis, oil and gas companies in Europe are facing the added burden of rising taxes. Moreover, the slowdown experienced by the construction industry during the last five years resulted in a reduced demand for heat exchange products, for example in the climate and environment industry.

Any of the aforementioned factors could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Changes in government spending and legislative actions and initiatives relating to renewable energy and electric power may adversely affect demand for our products and services.

Demand for our products and services may be negatively impacted by renewable energy policies and initiatives. Many countries and localities either currently have, or are considering, mandates that require specified percentages of power to be generated from renewable sources. Additionally, some countries are considering limits on both the development of new nuclear power plants and on the continued operation of existing nuclear power plants following high-profile environmental incidents. Subsidies of renewable energy sources could result in reduced investment in conventional power plants, which tend to be more heat exchanger-intensive than many of the renewable energy technologies currently deployed. Furthermore, the continuing political discussion relating to the future energy mix (among other jurisdictions, in Germany) could lead to delayed investment decisions or to reduced investments by our customers, in particular in the oil and gas and energy sectors, which could have a material adverse effect on our results of operations. Given that approximately one third of our revenue in 2013 resulted from sales to customers in the power industry, such policy changes in connection with transitions to renewable energy sources could have a material adverse effect on our business because of reduced demand for our products and services in traditional coal, nuclear and gas-fired power plants.

In addition, delays to the expected entry into force of certain regulations could affect demand for some of our products. For example, in 2013, the International Maritime Organization ("IMO") considered postponing the application of regulations regarding the limitation of emissions of NOx, which is expected to become effective as of 2016 and which could result in more demand for exhaust gas recirculation coolers. Although in April 2014 the IMO adopted regulations that require compliance with such emissions standards by marine diesel engines installed in new ships on the two currently existing emission control areas as of 2016, it also included exemptions, including delayed application of the standards for certain types of ships. The delayed effectiveness of regulations may prevent demand for our products from developing.

We face country risks in the regions in which we operate, including in emerging markets.

We operate globally and a substantial portion of our business relates to emerging markets countries. Due to the international scope of our business operations, we face risks with respect to possible geopolitical, economic and social instability, terrorist attacks, natural disasters and epidemics, as well as exposure to adverse government action and to changes in a specific country's or region's laws, regulatory requirements and policies affecting trade and investment. For example, the ongoing conflicts in the Middle East (such as the civil war in Syria) led to a delay of several of our projects in that region in 2012 and 2013. These factors could have a material adverse effect on the general level of economic activity, which could also lead to reduced sales opportunities for us and adversely affect our growth prospects. Moreover, certain countries in which we operate, such as China, India and Nigeria, have different business practices and in some cases considerably lower levels of economic, political, and legal stability as compared to Western Europe or North America. This lack of stability could have a material adverse effect on sales and revenue trends and growth opportunities in these countries. The aforementioned political, economic and other risks, each one individually or in the aggregate, could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Emerging markets are, to varying degrees, influenced by political, economic and market conditions in more industrialized countries, particularly the United States and the Eurozone. In particular, changes in the U.S. central bank policy and resulting devaluations may lead to significant economic volatility in emerging markets which could materially and adversely affect our financial position and results of operations.

In addition, our presence and growth plans in China expose us to significant risks linked to the Chinese economy. In 2012, China's economic growth decelerated to its slowest pace since the global financial crisis. China was significantly impacted by the contraction in the Eurozone economy, which, until 2012 when the United States surpassed the Eurozone, had been China's biggest export partner. The Chinese government focuses heavily on investment, to stimulate growth in the Chinese economy. However, it is unclear whether such actions to stimulate growth will be coupled with increasingly strict regulation, which could have a material adverse effect on our expansion plans in China and could, in turn, have a material adverse effect on our business, financial condition and results of operations. Furthermore, the Chinese shadow banking sector has grown rapidly in recent years and a significant amount of credit and liquidity is provided by Chinese institutions outside the scope of financial regulation. Due to the lack of supervision, the complexity of shadow banking activities and the close connection between the shadow banking sector and the regulated financial sector, any significant liquidity shortages or defaults in the shadow banking sector may have a material impact on the economic climate in China and could, therefore, have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Further, we have operations in Russia and the Ukraine. Should the political tensions between Russia and the Ukraine continue or should a conflict between the two nations ensue, we might not be able to continue our operations and, therefore, our business, financial condition and results of operations may be adversely affected. In addition, an ensuing conflict might have a significant effect on global financial markets, which in turn might have a significant effect on the global heat exchanger industry, which could adversely affect our financial position and results of operations. While we do not believe the current economic sanctions being imposed on Russia and entities and industries there will impact our business, materially, the sanctions may be broadened or their application changed, and the sanctions could have a negative impact on our ability to do business. In the year ended December 31, 2013, we generated 12.9%, 2.3% and 7.6% of our total revenue in China, certain Eastern European countries (including Ukraine, but excluding Poland, Slovakia, Slovenia, Czech Republic, Hungary, Romania and Croatia) and Russia, respectively. Our total revenue with these countries amounted to €339.2 million for the year ended December 31, 2013.

Any of the aforementioned factors could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Our business, in particular our project business, is dependent on financing being available to our customers.

We produce, in part, upscale industrial products, for the financing of which our customers require substantial own capital resources or borrowed funds. A significant portion of our business consists of projects that depend on the financing being available to our customers. A shortage in available financing opportunities, for example as a result of the European sovereign debt and financial crisis, may make it difficult to carry out such projects. For the same reason, existing orders may be deferred or cancelled, or customers may experience payment difficulties. Any of these factors could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

A portion of our revenues is generated through long-term fixed-price contracts, which entail risks including cost overruns, inflation and delays.

A portion of our revenues and earnings is generated through long-term contracts, particularly in our ACC-Heller business. We recognize revenues from certain of these contracts using the percentage of completion method of accounting whereby revenues and expenses, and thereby profit, in a given period are determined based on our estimates as to the project status and the costs remaining to complete a particular project.

Estimates of total revenues and cost at completion are subject to many variables, including the length of time to complete a contract. In addition, contract delays may negatively impact these estimates and our revenues and earnings results for affected periods.

To the extent that we underestimate the remaining cost to complete a project, we may overstate the revenues and profit in a particular period. Furthermore, certain of these contracts provide for penalties or liquidated damages for failure to perform our obligations under the contract in a timely fashion, or require that we, at our expense, correct and remedy to the satisfaction of the other party certain defects under performance and warranty guarantees. We also face the risk that cost overruns or inflation may exceed, erode or eliminate our expected profit margin, or cause us to record a loss on our projects. Additionally, customers of our long-term contracts may suffer financial difficulties that make them unable to pay for a project when completed, or they may decide not or be unable to pay us, either as a matter of corporate decision-making or in response to changes in local laws and regulations. Such expenses or losses for uncollectible amounts relating to our long-term fixed-price contracts could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

For example, in 2012 and 2013 we experienced delays for projects in the Middle East due to the political instability in the region, and our major project Medupi in South Africa was delayed due to strikes in 2013, resulting in several claims against us, among others, brought by a subcontractor. We sometimes are jointly liable with subcontractors or partners for their performance defaults. Profit margins realized on certain contracts may vary from its original estimates as a result of changes in costs and productivity over their term. As a result of this variability, the profitability of certain contracts may significantly impact the Group's income and cash flows in any given period.

If such risks materialize, this could adversely affect our financial success and our reputation. Such a failure could potentially expose us to complex litigation and result in significant contractual penalties and could damage our standing as a reliable partner within the industry and client base. Additionally, missed deadlines, cost overruns or performance shortfalls could adversely affect our liquidity position. These calculation and execution risks could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

We are exposed to intense competition and our competitive position may deteriorate.

The market for heat exchangers in which we operate is highly competitive. We compete with both large international market participants as well as with numerous smaller regional and local suppliers that vary depending on the region. Our competitive position also varies in the individual product sub-markets (such as for different types of heat exchangers and cooling towers) and regions. If we are unable to continue to provide our services to existing clients, to develop new service portfolios, to attract new clients, to respond to client trends, to increase our operating efficiency and to reduce our operating and overhead costs, we may not be able to successfully compete in the relevant markets. Furthermore, in many of the markets in which we compete, customers place a strong emphasis on local manufacturing capabilities, and we may be unable to quickly expand our manufacturing capacities as required in certain fast-growing segments, and thus lose market share. Our expansion in certain new markets, such as China and India, which are generally characterized by lower costs of production and rapid growth, may lead to more intense competition in those markets. Should we fail to maintain our market position in the relevant markets or build-up a meaningful market position in new markets, this could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

The development in many markets in which we operate is determined to a certain extent by technological changes and innovation and our strategy is therefore particularly directed towards being perceived as a technology leader in the respective markets. This requires continuous investments in research and development. Despite our efforts and investments, existing or new competitors may develop their current products and technologies further or create alternative ones that are more attractively priced, offer higher quality or a broader functionality or are more appealing for other reasons than our products. Furthermore, our research and development may be insufficient to meet our customers' demands in time, we may become unable to meet product specifications due to a lack of research and development expertise. Additionally, our existing competitors and new entrants may have greater operational, financial and other resources or may otherwise be better positioned to develop new products and compete for opportunities and, as a result, our business may be less successful. If new or better developed products can be offered at more attractive prices, or if such products are more attractive than our products for other reasons such as a higher degree of functionality, demand for our products would fall, which could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Our customers and end customers are facing increasing price pressure and might be affected by cost –cutting pressures. If our competitors are able to significantly reduce their prices or if new low-cost competition enter the market, we might not be able to reduce our costs or offer similar pricing, which could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

We depend on raw material prices, energy costs and prices for input materials and intermediate products, increases of which lead to the increase in manufacturing or purchasing costs that we may not be able to pass on to our customers fully or at all. This may lead to declining margins and profits.

We are exposed to risks relating to the availability, quality and cost of raw materials, energy and intermediate products. In particular, we require various metals such as aluminum, copper, carbon and stainless steel, and titanium. The market price and availability of these products that we use for our operations can fluctuate sharply depending on the market situation. For example, there are currently longer lead times relating to the supply of titanium, which primarily affects our component business, particularly our PHE business unit, and there is a limited number of possible suppliers of such metal. In other cases, in certain regions, including North America, we currently source certain raw materials for particular businesses from a single source or a limited number of suppliers. Overall, the prices of raw materials, in particular metals such as copper, reached historically high levels in 2008. Following a decline in prices during the economic crisis, the economic rebound was accompanied by a further sharp rise in the prices for a number of raw materials as of the first quarter of 2011; and further price increases for raw materials may occur in the future, resulting in higher manufacturing costs for end products. This risk likewise applies to the energy required in particular for production. A shortage of raw materials and energy sources could also arise from decreases in extraction and production due to natural disasters or political instability or unrest in extracting and producing countries. In addition, since many of these materials, in particular copper and aluminum, are usually purchased in U.S. dollars, a stronger U.S. dollar could represent a further price risk for such companies of the HX Group that are outside of the U.S. and whose operating currency is not tied to the U.S. dollar.

Currently, we do not use commodity derivatives as hedging instruments against price fluctuations of raw materials. Although we have entered into longer-term supply agreements with various suppliers in order to reduce commodity price risk, we are not fully shielded from the risk of rising commodity prices. In addition, we have experienced in the past, and may continue to experience in the future, material cost increases at the time of purchasing the necessary raw materials for a project as compared to the time when we negotiated the contract for the project. As we may not be able to pass price increases on to our customers, such price increases could reduce our profit margins. The possibilities to pass on higher input prices to an end customer vary from time to time and among different markets depending on the competition. If we pass price increases on to our customers, this could reduce the sales revenues. Both scenarios could also have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees. In addition, supply interruptions of production materials, resulting from shortages, labor strikes, supplier insolvencies or other factors could have a negative effect as well.

In addition, we also rely on a variety of intermediate products produced by other manufacturers that are integrated into the final products that we provide to the end-customer. These include finished mechanical components such as fans and chiller units. Should our suppliers raise prices, this will result in higher costs. In addition, if we experience limited availability or quality issues with our suppliers of these intermediate products, we could be forced to seek alternative suppliers that may charge higher prices and cause delays in delivering products to customers. These delays and higher costs may also have a negative effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

We are exposed to product liability claims and the risk that our products may not fulfill customer requirements or specifications.

Our products play an important role in regulating the operation of industrial processes. We could be subject to claims or lawsuits relating to an actual or alleged failure of our products that may result in a failure of an industrial process, and such failure may cause significant financial losses, injury or death, which could negatively affect our business. While we are not currently the subject of material product liability claims for damages as a result of the use or operation of our products, we may still be exposed to liability claims in the future. Awards of damages, settlement amounts and fees and expenses resulting from such claims and the public relations implications of any such claims, could have an adverse effect on our business.

We also cooperate with manufacturers and other suppliers which provide us with the materials and intermediate products used in our operations. As we do not have direct control over the quality of the materials and intermediate products manufactured or supplied by such third parties, we are exposed to a risk related to the quality of such materials and intermediate products. We may use materials and intermediate products in our operations that are subsequently suspected to contain defects of quality or to have been the cause of damage to persons or property.

Any of these types of allegations may subject us to reputational damage or may form the basis for claims that clients and other third parties assert against us. This may require us to expend additional resources to take appropriate corrective action with regard to affected products or systems, in addition to potential costs for penalties. We have in the past faced performance issues with respect to our products and projects, including issues relating to vibrations, icing and insufficient performance of products or components. Claims asserted against us can be expensive to defend and can divert the attention of personnel for significant time periods, regardless of the ultimate outcome. The availability and cost of insurance to cover claims for damages caused by us or our products are subject to market forces that we do not control, and such insurance would not cover damages to our reputation. A lost product or performance liability claim could have a material adverse effect on the net assets, financial position and results of operations of the Group. Even if we are successful in defending against claims relating to the products sold or services performed by us, the mere assertion of such claims could have a negative impact on client confidence in our services and products as well as in the Group itself. In addition, even if a liability claim is not brought before court, it may lead to additional costs, for instance for product or component replacements, performance tests extension, correction of defects and additional engineering. Any of these factors could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Construction, conversion or upgrades in our project business are subject to risks, including delays and cost overruns, which could have an adverse impact on our trade working capital and results of operations.

Approximately one-third of our business is project-based, involving construction and conversion projects and we may undertake additional large projects in the future. Our customers may also require certain upgrade projects for existing facilities with unforeseen complications. These projects and other efforts of this type are subject to risks of cost overruns or delays inherent in any large construction project as a result of numerous factors, including the following:

- shortages of equipment, materials or skilled labor;
- work stoppages and labor disputes;
- unscheduled delays in the delivery of ordered materials and equipment;
- local customs strikes or related work slowdowns that could delay importation of equipment or materials;
- weather interferences;
- difficulties in obtaining necessary permits or approvals or in meeting permit or approval conditions;
- design and engineering problems;
- inadequate regulatory support infrastructure in the local jurisdiction;
- unforeseen increases in the cost of equipment, labor and raw materials;
- unanticipated actual or purported change orders;
- client acceptance delays; and
- failure or delay of third-party equipment vendors or service providers.

We have experienced and may continue to experience several performance and quality issues with the products, components and services provided by subcontractors which may substantially affect the cost of a project. In certain industries, such as the petrochemical industry, the quality expectations are particularly high, leading to very intensive service and labor costs, and poor quality issues may more easily result in a deviation from the original cost calculation and time schedule for a project.

The failure to complete an upgrade, refurbishment or new construction project on time, or at all, or the inability to complete a project in accordance with its design specifications, may result in loss of revenues, penalties, or delay, renegotiation or cancellation of a project contract. Additionally, capital expenditures for large upgrade, refurbishment and construction projects could materially exceed our planned expenditures. If we experience substantial delays and cost overruns in our projects, it could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Our production and development processes are exposed to operational risks in the form of interruptions which may lead to production bottlenecks or production downtime, as well as accidents, safety defects, defective performance, quality defects or environmental incidents.

We have a large number of facilities at which products are developed and manufactured. In addition, construction sites where we carry out projects pose specific safety risks. Operational disruptions or interruptions at our facilities and sites may occur, including for reasons beyond our control (such as aircraft crashes, terrorism, epidemics, political unrest, natural disasters or other acts of God) or for other reasons (such as fire, explosion, release of hazardous substances, or strikes, as well as interruptions relating to the supply of energy, raw materials and pre-products or IT failures). For example, in the last two financial years we experienced delays for projects in the Middle East due to the political instability in the region, and our project Medupi in South Africa was delayed due to strikes. Furthermore, in February 2014, there was a fire at our Searle AFC-CS site in the United Kingdom, as a result of which the main assembly building including the blygold coating facility, the paint shop and research and development facility, were destroyed, leading to financial losses, production downtime, delays, costs for the repair and potential rebuilding of the lost facilities. Operational disruptions and interruptions and process weaknesses may lead to significant production downtimes and interruptions relating to services provided and products delivered to customers.

In addition, our reputation and important customer relationships are dependent on our customers' confidence in the safety, quality and environmental compatibility of our services and projects. Actual or alleged accidents at projects, safety defects, defective performance, quality defects or environmental incidents could lead to substantial financial liabilities and could affect the demand for our products and services and have adverse financial consequences. Accidents occurring during the execution of major projects can cause serious damage to persons and property and could permanently damage our reputation in the public opinion, even if we were not actually responsible for causing such damage and no fault on our part has been proven. This could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

We are exposed to the potential default of contracting parties and credit risk.

We are exposed to a risk of payment default by our customers who have agreed to purchase products from the Group, or contracting parties with whom we or any of our subsidiaries work in consortiums or similar joint ventures, and other partnerships and subcontractors of the Group. Trade receivables constitute our largest asset as of December 31, 2013. The amount of trade receivables being overdue is an indication of the risk that we run in connection with potential bad debts. As of March 31, 2014, our overdue receivables amounted to €65.5 million or 22.3% of our total receivables and our bad debt provision amounted to €9.6 million. In the past, from time to time we have experienced payment defaults of certain customers that were unable to pay for delivered goods due to financial difficulties. Even though we regularly collect credit information on new customers and, if needed, on existing customers in an attempt to limit our exposure to credit risk, we may be unsuccessful in identifying significant potential credit risks.

Additionally, other parties with which we have entered into financial or other arrangements could also be in default, *e.g.*, in the event of their insolvency or where they have no access to credit facilities. For example, we have in the past been unable to hold a supplier accountable for defective products due to the insolvency of the supplier.

The default of our customers or other contracting parties could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Our accounts receivables may remain outstanding for a significant period of time.

Payment conditions, in particular due dates for payments by our customers, vary depending on the type of contract and business. With respect to our component business, we record revenue and corresponding trade receivables when products are delivered to customers, and with respect to certain products when customer acceptance occurs following delivery. Payments received prior to product delivery, or customer acceptance, as applicable, are recorded as unearned revenue. Any payment delays cause capital to be tied up in receivables, which may result in pressure on our cash flows and liquidity. We sell a portion of our trade receivables to financial services companies under a factoring agreement; these are derecognized in our financial statements once the majority of the risks and rewards have been substantially transferred to the financial services company. With respect to the project business, receivables and revenues from construction contracts are recognized using the percentage of completion method. Advance payments on construction contracts are reported separately as a liability. Although in the project business we typically benefit from customer prepayments for newly-awarded projects, we have experienced and may continue to experience payment delays with respect to certain customers.

We may experience low accounts receivable turnover and payment delays due to an unexpected abandonment or delay of projects, cancelation of orders and payment delays from certain customers due to financial difficulties. Delays in collections and the significant period of time our accounts receivable remain outstanding may negatively impact our cash flow and liquidity.

Our products, services and know-how may not be fully protected by intellectual property rights, our intellectual property rights may be infringed or challenged by third parties and we may infringe third parties' intellectual property rights or be faced with claims regarding infringement with regard to the use of intellectual property.

We own a number of patents and other intellectual property that is of significant importance to our business. The granting of patents does not necessarily imply that they are effective or that potential patent claims can be enforced to the degree required or desired. Additionally, the patents we have applied for or intend to file for registration in connection with new technological developments may not be granted in each of the countries where we consider this necessary or desirable. Third parties may infringe our patents and/or intellectual property rights and we may, for legal or factual reasons, be unable to halt such infringements. With respect to certain product areas, continuous further development of products and maintaining technical leadership is necessary to prevent competitors from copying our products.

If we are unable to protect our intellectual property, we may not be able to profit from the advances in technology we have achieved, which could lead to a reduction in future results of operations. This could affect our competitive position and any resulting reduction in revenues would have a material adverse effect on our business, financial condition and results of operations.

Additionally, we may infringe the patents or other intellectual property rights of third parties, since our competitors also have submissions for patent protection. With regard to patent rights the underlying inventions of which have been made by employees prior to October 1, 2009 and which inventions fall under the scope of the German Act on Employee Inventions (*Arbeitnehmererfindungsgesetz*), we may not have validly claimed such inventions and employees may assert claims against us in relation to the ownership rights of the invention or remuneration. This may result in the prohibition of our using the affected technologies or our being forced to purchase licenses, alter manufacturing processes, or pay compensation. Know-how and industrial secrets that are not patented or cannot be patented are also of significant importance in our business, in particular in areas with technologically demanding products and production processes. For example, there is a risk that our competitors are granted patents for products and production processes that, at that time, we had already produced or implemented without a patent. In the relevant country, this could lead to restrictions regarding the sale of the affected products, the application of the relevant production processes or to an obligation to pay license fees. We may not be able to protect our industrial secrets and third parties may develop the same or similar know-how independently.

Any restrictions on delivery and production due to patent infringement, or production interruptions resulting from patent infringement, whether due to a change in a manufacturing process or due to other reasons, or the subsequent acquisition of corresponding licenses could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

With respect to certain trademarks such as “CAIR,” “DENCO,” “ECOFLEX,” “HAPPEL” and “HELLER,” GEA AG and some of our subsidiaries have concluded co-existence and demarcation agreements with third parties. These may limit the use of the contract trademarks for certain purposes. We are also party to agreements with third parties regarding the exclusive sale or supply of certain products and license of certain intellectual property rights which may limit our business with regard to the contract products and the intellectual property rights. This could have an adverse effect on our business and our financial position.

We are party to a technical cooperation and license agreement with a third party regarding the promotion and sale of certain boilers. The initial term of the agreement has expired, with automatic one year renewals subject to each party having the right to cancel the contract before any renewal upon 90 days’ notice. A termination of the agreement may result in the loss of revenues for us and may have an adverse effect on our business.

We use certain resources, which may include technical information, technical support and various software packages, from a third party based on our membership to the GEA Group. We may not be able to use these resources after the Acquisition and might have to establish alternative solutions, in the absence of which we may experience negative effects on our operations.

Our assets, such as goodwill, are subject to the risk of impairment. Potential negative changes in the value of our assets may result in write-downs and therefore negatively affect our financial position.

As of December 31, 2013, goodwill allocated to our cash generating units and other intangible assets amounting to €119.9 million and €44.8 million respectively, and deferred tax assets of €47.6 million were carried on our combined statement of financial position. As a result of the Acquisition, our goodwill may increase significantly as a result of the purchase price accounting, which we have yet to undertake. We might also experience a decrease in our deferred tax assets as a result of the Acquisition. The other intangible assets mainly consisted of market-related and technology-based assets. We determine the value of the intangible assets in accordance with applicable accounting principles. Goodwill is subject to an impairment test which must be performed at least annually or if particular circumstances or changes in circumstances occur that indicate impairment. Within the context of carrying out the annual impairment tests in accordance with IFRS 3/IAS 36, goodwill is allocated to cash generating units where synergies are to be expected. A comparison of the fair values attributed to the units with their carrying values including goodwill has so far not resulted in need for impairments. Due to the significance that general economic factors have in the context of assessing the value of goodwill, a continued global downturn and a potential rise in interest rates worldwide could potentially necessitate an impairment of goodwill of the Group. These non-cash impairment charges could adversely affect our results of operations in future periods, and could also significantly impact certain financial ratios.

In addition, deferred tax assets for tax loss carry forwards are only recognized if it is probable that taxable income will be available for the loss carry forwards to be utilized. Deferred tax assets are calculated on the basis of management estimates on the expected timing and amount of income to be taxed and the future tax planning strategies. Therefore, an impairment loss may have to be recognized if the expectations on which the amount of deferred taxes are based are not fulfilled.

An impairment loss with respect to goodwill or deferred tax assets could have a material adverse effect on our financial position and our ability to fulfill our obligations under the Notes and the Guarantees.

Our insurance coverage could prove inadequate.

We may face claims asserted by our contracting parties or third parties or may incur other losses, including property damage and business interruption. Until the consummation of the Acquisition or, in case of certain group policies until the end of 2014, we will benefit from insurance policies of the GEA Group, which we believe are appropriate, although full details have not been disclosed to us during the due diligence process, so that we cannot guarantee that there will be no gaps in terms of conditions or not any insufficient limits. Until the consummation of the Acquisition or, as the case may be, until the end of 2014 we will substitute the GEA insurance policies by insurance policies to be obtained by the HX companies. We expect the new policies will provide coverage for major risks (to the extent that the risks are insurable at reasonable terms and conditions) in amounts we believe are appropriate (to the extent that such amounts can be purchased at reasonable prices). In addition, we expect the new policies will provide coverage for major insurable risks (in each case subject to terms, limits and deductibles) with respect to (i) property damage and business interruption resulting therefrom, (ii) general business, product and environmental impairment liability, (iii) construction/erection all risk, (iv) transport and storage and (v) directors and officers liability. We may not be able to obtain corresponding coverage on acceptable terms in the future (which, among others, also depends on the development of the insurance markets) and the insurance taken out may not provide sufficient coverage for all potential claims and losses. We may not be able to obtain any of these policies or only on less favorable terms or at higher costs compared to the current situation under the GEA policies or compared to our current view. Even if we are able to obtain adequate replacement insurance policies, the costs may be significantly higher, or the coverage, deductibles and other terms may be materially less favorable to us, than the costs and terms of our existing policies. Moreover, the premiums and deductibles for our insurance policies may increase substantially as a result of incidents affecting us or other factors.

In addition, as of today the HX Group companies do not have sufficient in-house insurance know-how, which to date has been provided by GEA Insurance Broker GmbH. The necessary company specific insurance-related know-know must be transferred to an external insurance broker and in-house know-know must be developed to a certain extent. The know-how transfer may not be completed within the necessary timeframe. Therefore, if a loss or claim is not sufficiently covered by appropriate insurance coverage or if the know-know transfer is not completed in due time, this could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Any failures or disruptions of our information technology could affect our operations and our ability to serve customers.

We are dependent on an efficient and uninterrupted operation of our computer and data processing systems. Computer and data processing systems are generally prone to failures, damage, power outages, computer viruses, fire and similar events. A failure or interruption in the operation of these systems can therefore not be ruled out. Failures or interruptions in the operation of the computer and data processing systems used by the Group could pose an obstacle to the effective management of the Group and to our ability to serve customers. This could have a material adverse effect on our net assets, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

As of the date of this offering memorandum, we anticipate to continue to receive certain services from GEA's IT department. These services include, *inter alia*, IT infrastructure and global application hosting for up to 42 months after the Completion Date. As we will continue to use the infrastructure provided by GEA, we could be substantially dependent on GEA for the 42-month period following the Completion Date.

Global application hosting like SAP and Dynamics ERP is also provided through the GEA IT infrastructure. The responsibility for supporting these applications lies within HX IT or will be shifted to HX IT prior to the Completion Date in most cases. The responsibility for supporting the local HX subsidiaries (basic IT support) will generally be shifted to HX IT prior to the Completion Date. However, in several areas, the support is anticipated to continue to rely on GEA IT during the 42-month period following the Completion Date. Our dependence on the GEA IT infrastructure and support could pose an obstacle to the effective management of the Group and our ability to make efficient use of our IT systems. This could have a material adverse effect on our net assets, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

We may not be able to obtain certain certifications required for certain areas of our business, in particular regarding the power industry, in a timely manner, and this may delay our order intake with respect to such projects.

In order to access projects in certain industries, such as the nuclear and oil and gas industries, applicable regulations and some customers require that we undergo a certification process regarding our internal processes as providers and the characteristics and quality of our products. These certification processes are complex, time-consuming and lengthy, and may depend on factors that are, in part, beyond our control, such as obtaining approvals from regulatory authorities and independent third-party audits. For example, certification processes regarding our products for nuclear applications may be particularly complex and lengthy. A delay or a denial in any of such certification processes would prevent us from winning orders until the required certifications have been granted and we may therefore not yet be able to profit from valuable business opportunities. This could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Organizational restructurings may not bring about the expected success and can lead to losses and additional costs.

In the period from 2010 to 2013 and in preparation for the Transactions, extensive organizational restructurings have been implemented to combine the HX business of the GEA Group within the newly established HX Group. These measures included share transfers, share contributions, asset transfers, the incorporation and dissolution of companies as well as the closure of 18 production sites and related capacity shifts and a reduction in the number of employees. Although such measures are largely completed, further individual organizational measures may be adopted in the future with respect to, for example, non-critical production sites. Such measures have resulted in the past and may result in impairment losses and investments, one-time expenditures, severance payments to employees and temporary inefficiencies in operating processes and could therefore have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees. In addition, there can be no guarantee that such restructuring measures will lead to cost reductions to the full expected extent, in particular when combined with potential inflationary cost increases. Further, we may be subject to contingent liabilities, which may result from our abandonment of certain of our production sites, which could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Our systems and products are covered by warranties, and we provide performance guarantees relating to our project business. Unanticipated warranty costs for defective systems and products and drawings under the performance guarantees granted in connection with our projects could adversely affect our financial condition and results of operations as well as our reputation.

We offer to our customers primarily bank or corporate performance guarantees to facilitate projects during the ordinary course of business (trade-related guarantees), including performance guarantees covering potential fulfillment problems in the context of our projects, as well as warranty guarantees after the delivery of our products and systems and during the warranty period. We offer warranty periods of various lengths to our customers depending upon the specific system or product and terms of the customer agreement. Existing and future warranty obligations place us at risk of incurring future repair and/or replacement costs. Many orders typically provide for warranty obligations that remain in force for several years, thereby exposing us to future, unforeseen costs, which could be material. We have received warranty claims in the past. In this respect, we are also subject to the risk that customers call on a guarantee without a valid technical or performance issue. An unanticipated or invalid claim could materially increase our warranty costs. The need to repair or replace systems and products with design or manufacturing defects could temporarily delay the sale of new systems and products, reduce our profits, cause us to suffer a loss and could adversely affect our reputation. Furthermore, average warranty costs for complete systems are higher than warranty costs for individual products that our customers use as components in other less complex systems. As a result, our transition to offering more complete systems may increase our warranty costs. Our trade guarantee exposure amounted to €364 million as of December 31, 2013, respectively. Substantial or extraordinary amounts of warranty claims or drawings on the performance guarantees granted by us could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

We rely on the experience and talent of our senior management and our ability to recruit and retain key employees for the success of our business.

Our success depends on the performance of qualified employees, executive staff, the management of the business units and the board of directors (*Geschäftsführung*). We may not succeed in retaining such management staff and employees in key positions or to recruit and/or train a sufficient number of new employees with corresponding qualifications. If we are unable to retain or recruit a sufficient number of management staff and skilled employees, in particular those with technical training in the areas of heat transfer, fluid dynamics and the end-industries we serve, maintaining our market position, as well as future growth, would be at risk. This could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Our historical results may not be representative of our future results as a separate, stand-alone company.

Until the completion of the Acquisition, we are indirectly wholly-owned by GEA AG. Accordingly, we have no independent operating history to use as a basis for evaluating our financial position, results of operations and expected future performance. We cannot assure you that the risks and challenges we face as an independent company, including planning or anticipating operating expenses, servicing our indebtedness and obtaining financing on a stand-alone basis, will not have a material adverse effect on our business, our financial position and our results of operations. In particular, our combined financial statements do not reflect the costs to us of borrowing funds or providing guarantees to our customers for our products and services as a separate and highly leveraged entity. Accordingly, our combined financial statements and the other historical financial information included in this offering memorandum do not necessarily indicate what our results of operations, financial position, cash flows or costs and expenses will be in the future.

We are exposed to risks in connection with past and future acquisitions, joint ventures, investments and reorganizations, as well as strategic partnerships.

In the past, we have occasionally acquired businesses in prior years and entered into joint ventures in order to expand our operations. For example, in 2011 we acquired the Russian company Mashimpeks Ltd. and in 1996 we entered into a joint venture in India. We have also made minority investments and undertaken internal reorganizations. Acquisitions, joint ventures, investments and reorganizations entail risks resulting from the integration of employees, processes, technologies and products. Such transactions may give rise to substantial administrative and other expenses. Portfolio measures may also result in the need for additional finance and may impact negatively on financing requirements and the financing structure. They may also result in the need for additional finance and may impact negatively on our financing requirements and financing structure. We may not be able to maintain our current joint venture relationships and future acquisitions or joint ventures may not be successful.

In the future, we may acquire businesses, enter into joint ventures or undertake investments or reorganizations in a targeted manner. In this regard, there is no guarantee that we will be able to identify suitable businesses and to acquire them or enter into joint ventures or investments on favorable terms. There is also a risk that not all material risks in connection with the acquisition of a company, the establishment of a joint venture or the making of investments will be identified in the due diligence process and will not be or could not be sufficiently taken into account in the decision to acquire a business and in the purchase agreement, or the decision to enter into a joint venture and the joint venture agreement or make an investment. These risks could materialize only after a company has been acquired or a joint venture or investment has been entered into, and may not be covered by the warranties in the related agreements or by insurance policies. Any of these factors could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

We are exposed to risks in connection with research and development done in cooperation with external collaborators and joint ventures.

We work with strategic partners in the area of research and development, when entering a new market and in connection with large projects, in part within the framework of a partnership (such as with construction companies), at other times as a cooperation, including with universities and research institutions. In some cases, our respective partners provide a substantial portion of the capital resources for a project or other material services. We, in turn, commit in the respective agreements to perform certain activities in connection with the project. If we fail to fulfill our obligations under the respective partnership or cooperation agreements, either in whole or in part, this may lead to claims for damages, contractual penalties or termination of the partnership by our partners. In addition, the successful implementation of a project may be endangered or impaired through a breach of contract by one of our partners or through unforeseen events. Moreover, the success of a cooperation arrangement requires that the respective partners constructively pursue the same goals. In our joint venture projects, technologies may be revealed or required to be revealed to joint venture partners and these partners may use the technologies outside of the project in question exclusively for their own purposes. In the event that we decide on divestment of or withdrawal from a joint venture, there is a risk that no buyer will be found for the joint venture shares or that there will be no other way to sell the shares for other reasons, or that the partner will claim damages. There is also a risk that, in the event of the loss of a joint venture partner, considerable resources will need to be invested in a new partnership. These risks could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

We depend on the ability to maintain the quality of our products and processes and to develop and manufacture new products.

For customers, one of the determining factors in purchasing our components and systems is the quality of our products and manufacturing processes. A decrease in the actual and perceived quality of these products and processes could damage our image and reputation as well as those of our products. The markets for our products are characterized by changing technology, evolving technologies and technical standards, changes in customer preferences and the introduction of new products. This requires a continuous development of our highly specialized product portfolio in a timely manner to meet customer preferences. The development, manufacturing and commercialization of new technologies and the introduction of new products will often make existing ones obsolete or unmarketable. Our inability to develop and manufacture new products and to maintain the quality of our products and processes could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Our customers may require us to perform portions of our projects in their local countries or may require that we do not source from certain countries.

Some foreign countries have regulations requiring, and some customers in foreign countries prefer, a certain degree of local content be included in projects destined for installation in their country. In addition, certain customers require that we do not use products manufactured in a certain country (*e.g.*, China). These requirements and preferences may require us to outsource significant functions to manufacturers in foreign countries or otherwise to establish manufacturing capabilities in foreign countries, or to source from countries that are not those from which we would normally source (*e.g.*, due to lower manufacturing costs) if such restrictions were not in place. These requirements may negatively impact our profit margins and present project management issues.

Changes in our product mix or our portfolio of large projects can have a significant impact on our profit margins.

Some of our products have higher profit margins than others. Some of our products also have a much higher internally manufactured cost component. Therefore, changes in product mix from quarter-to-quarter or from year-to-year can have a significant impact on our reported margins through a change in our manufacturing costs and specifically in our manufacturing costs as a percentage of revenue. In addition, certain large projects make up a substantial portion of our revenue, and as these projects are phased out, this can also have a significant impact on our reported revenue and margins for our business units that are active in the project business from quarter-to-quarter or from year-to-year.

Currency exchange and interest rate fluctuations may have a significant impact or our reported revenue, cash flows and earnings.

We operate globally, entering into contracts denominated in various different currencies. In particular, as a result of our international operations, our cash flows are denominated (apart from euro) mainly in U.S. dollars and Chinese renminbi. The cash inflows, in particular those in U.S. dollars, expose us to exchange rate fluctuations (referred to as translation risk). Due to the growing cost and sales base in China, the portion of our revenues and costs denominated in the Chinese renminbi is expected to increase. We hedge foreign-currency items as they arise in order to fix prices on the basis of hedging rates, and limit some currency risk, mainly from sales and procurement transactions. However, hedging may not eliminate all risk. Despite the hedging requirement, changes in exchange rates affect the translation into euro of revenues, costs, assets and liabilities of subsidiaries that use a currency other than the euro as their functional currency. A depreciation of other currencies against the euro will mean that, despite constant sales volumes and nominally constant prices, we will, after translation into euro, generate lower revenue and profits for purposes of our consolidated or combined financial statements. A number of our subsidiaries report their results in currencies other than the euro, which requires us to convert the relevant items into euro when preparing our consolidated financial statements. Any increase (or decrease) in the value of the euro against any foreign currency that is the functional currency of any of our operating subsidiaries will cause us to experience foreign currency translation losses (or gains, as the case may be) with respect to amounts already invested in such foreign currencies. These so-called translation risks generally cannot be hedged.

In addition, changes in the exchange rate of foreign currencies may negatively influence the sales/contract volume as well as the absolute gross margin of our projects. For example, with respect to our largest project, Medupi, the exchange rate of the South African rand experienced a large fluctuation since November 2007 when the contract with the customer was entered into and the pre-calculation of our order intake was performed. As of November 30, 2007, the exchange rate of the rand to the euro was approximately ZAR 1 = €0.099. After an increase to approximately ZAR 1=€0.113 as of December 31, 2010, as of December 31, 2013, the rate was approximately ZAR 1 = €0.069. The Medupi project revenue and expenses are incurred in ZAR, thus our local operations are independent of direct currency effects. An accounting effect occurs by translation of Medupi positions into Group currency, which are recorded in our Group's translation effects and may cause foreign currency translation losses.

Moreover, we are exposed to a risk of interest rate changes relating to our borrowing. We operate worldwide and liquidity is invested and raised in the international money and capital markets in different currencies, mainly euro and U.S. dollars, and at different maturities. Interest rate fluctuations could affect both the amount of interest payable on existing debt and the refinancing costs.

Until December 31, 2013, the hedging of foreign exchange risks was centrally carried out by the GEA Group and most of our hedging agreements were concluded with the GEA Group, with some further agreements between HX Group companies and counterparties at a regional level. Each hedging agreement concluded until December 31, 2013 between HX Group companies and the GEA Group corresponds to a back-to-back hedging agreement between the GEA Group and a bank. Since January 1, 2014, HX Holding has been responsible for carrying out the hedging of foreign exchange risks of HX Group companies and has received support services from the GEA Group, though no back-to-back arrangements have been entered into with the GEA Group.

These currency and interest rate risks, or any losses resulting from related hedging transactions, could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Market developments and government actions in connection with the sovereign debt crisis in Europe could have a material adverse effect on the global economy and thus on our business.

Global markets and economic conditions have been negatively affected by concerns regarding the ability of certain European Union Member States to service their debt obligations. The significant economic stagnation in certain countries in the Eurozone, especially Greece, Ireland, Italy, Portugal, Spain, Slovenia and Cyprus, in part due to the effects of the sovereign debt crisis and corresponding austerity measures, has added to these concerns. If the fiscal obligations of these countries continue to exceed their fiscal revenue, taking into account the reactions of the credit and swap markets, or if their banking systems further destabilize, the ability of such countries to service their debt could be impaired. The continued uncertainty over the outcome of various international support programs, the possibility that other countries may experience similar financial pressures, investor concerns about inadequate liquidity or unfavorable volatility in the capital markets, lower consumer spending, higher inflation or political instability could further disrupt the global financial markets. In addition, the risk remains that a default of one or more countries in the Eurozone could lead to the expulsion or voluntary withdrawal of one or more countries from the Eurozone or a disorderly break-up of the Eurozone, either of which could significantly disrupt financial markets and possibly trigger another global recession. These and other concerns could lead to the re-introduction of individual currencies in one or more EU Member States or, even possibly, the dissolution of the euro.

The recent market disruptions in Europe related to sovereign debt and the banking sector, including the increased cost of funding for certain governments and financial institutions, may continue, and future assistance packages may not be available or, even if provided, may not be sufficient to stabilize the affected banks, countries and markets in Europe or elsewhere. Furthermore, the departure of a country from the Eurozone or the dissolution of the euro by its members could negatively impact our business as well as cause significant volatility and disruption in the global economy. In addition, our contractual partners could be negatively affected to the point that their existence may be threatened, and it may not be guaranteed that we will be able to secure other contracts on comparable terms or to maintain existing customer relationships. Political measures aimed at preventing a break-up of the Eurozone could result in an increase of our tax and duty burden or to other restrictions of our business activities. Any of the aforementioned factors could result in a substantial deterioration of demand for our products, of refinancing conditions and a default of customers' payment obligations and therefore have a material adverse effect on our net assets, financial position and results of operations. These potential developments, or market perceptions concerning these and related issues and their potential consequences, could have adverse consequences for us with respect to our outstanding debt obligations that are euro-denominated, such as the Notes, and, as we have a substantial amount of debt denominated in euro, our financial position may be materially affected. Furthermore, the Indentures and our Senior Facilities contain or will contain covenants restricting our and our subsidiaries' corporate activities. Certain of such covenants impose limitations based on euro amounts (*e.g.*, the amount of additional indebtedness we or our subsidiaries may incur). As such, if the euro were to significantly decrease in value, the restrictions imposed by these covenants would become tighter, further restricting our ability to finance our operations and conduct our day-to-day business. See "*—Risks Related to our Financing—We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.*" Any of the aforementioned factors could result in a substantial deterioration of demand for our products, of financing conditions and a default of customers' payment obligations and therefore could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Legal, Regulatory and Tax Risks

We are subject to numerous laws and regulations in the many jurisdictions in which we operate, and we may be adversely affected by changes regarding applicable legal and regulatory requirements.

Numerous laws and regulations apply to our facilities and business operations in the various jurisdictions in which we operate. We are subject to the laws applicable to commercial enterprises including, in particular, laws relating to taxation and customs, land utilization and planning, occupational health and safety, security, quality and liability, transportation, work and employment practices (including pensions), competition and numerous provisions of product, regulatory and environmental laws. In addition, the type of services which we are permitted to perform may be subject to legal and regulatory requirements. Compliance with these numerous statutory provisions and other legal and regulatory requirements requires significant effort and expense. Although we believe we have taken adequate measures to train and instruct employees regarding conduct issues, it cannot be excluded that employees may not act in compliance with applicable statutory provisions (including antitrust regulation and anti-corruption legislation) and other legal and regulatory requirements as well as corporate policies, and the Group faces the risk that penalties or liabilities may be imposed on the Group. We may face irregularities or compliance issues at our Group companies.

In the case of economic sanctions or boycotts imposed by the United Nations, the U.S. or the European Union on certain countries, we may be unable to distribute our products in such jurisdictions, and our business would be negatively affected should such sanctions be extended to larger regions. In addition, existing and proposed legislation and regulation, some of which may vary considerably from country to country may also increase our cost of doing business. Any amendment to, and in particular a tightening of, such provisions—including changes in the manner in which such legislation and regulations are interpreted by courts—could complicate operational procedures and adversely affect the marketability of our services or increase our compliance costs and tax burden, which could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

We are subject to environmental, health and safety requirements.

We are subject to various laws, regulations and other legal requirements (such as permits, certificates, administrative orders or agreements with authorities) relating to the protection of the environment, health and safety in the jurisdictions in which we operate, in particular as relates to emissions, water supply and waste water discharges, occupational health and safety, prevention and clean-up of all types of contamination as well as the handling and/or disposal of hazardous substances and wastes (including packaging waste) and emergency management. In certain circumstances the relevant authorities could withdraw, invalidate or amend the licenses, permits or decisions required to conduct the Group’s business. Liabilities, costs, penalties, investigation, protective or remediation orders or operational restrictions may be imposed by courts or authorities or incurred by us in connection with environmental and health and safety issues, any of which could have a material adverse effect on our reputation and on our net assets, financial position and results of operations. Environmental regulations are subject to change, which in turn could increase the requirements imposed on us under such regulations, our exposure to risks of non-compliance or liabilities and our costs to comply with environmental laws and regulations. Moreover, if any of the licenses, permits or decisions is appealed, revoked or withdrawn or if there are any difficulties in renewing any license, permit or decision, we may potentially experience delays in operations, which could adversely impact our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Under such laws and regulations, we may have to bear the costs for the investigation, containment and remediation of contamination and other environmental conditions (including mining damage) relating to our current and former operations and our properties and installations and buildings (including asbestos). These laws and regulations may impose strict liability, rendering us liable without regard to any fault of our own, and could expose us to liability for the conduct of or conditions caused by others or for acts that were in compliance with all laws applicable at the time such acts were performed. In addition, contaminated properties may have decreased value and are likely to be more difficult for us to dispose of.

We may be liable to third parties in respect of any personal injury or property damage resulting from environmental and health and safety issues arising in connection with our current and former operations, in particular, in connection with hazardous substances used in the development and manufacturing at our production sites or hazardous materials used in our products. We may also be liable to third parties in respect of environmental matters under any covenant, warranty, representation, indemnity or similar provision contained in the agreements by which we have acquired or disposed of properties. Non-compliance with existing or future environmental and health and safety laws, regulations, individual administrative orders or agreements with the authorities, including a failure to obtain or maintain requisite permits and authorizations, may result in subsequent administrative orders restricting our operations, claims for damages or third-party losses, criminal or administrative fines or other penalties. Such costs and liabilities, if incurred, could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

We have to rely on a compliance system to prevent irregularities in business activities. Failure to comply with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act of 2010 or other applicable anti-corruption legislation could result in fines, criminal penalties and an adverse effect on our business.

We operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are subject to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take action determined to be in violation of anti-corruption laws, including the U.S. Foreign Corrupt Practices Act of 1977, the U.K. Bribery Act of 2010 and others. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, and curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial position and our ability to fulfill our obligation under the Notes and the Guarantees. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

While we have been subject to the GEA Group's compliance program to address compliance risks, employees may be tempted to win business with illegal practices, in particular corruption, certain sales incentives or violation of antitrust laws. In many of the countries in which we operate, such practices may be the custom or expected, and our competitors may undertake such practices, increasing the pressure on us and our employees. In addition, in the past we have discovered certain minor irregularities in our local bookkeeping which have now been resolved. We will have to develop and implement our own compliance program and internal controls following the completion of the Acquisition. We plan to generally follow the GEA Group's compliance program and internal controls and to adapt them gradually to any HX specific circumstances and conditions. However, we cannot guarantee that our own compliance and internal controls will protect us against actions taken by our officers, directors, employees and agents that might be determined to be in violation of law.

We are subject to other legal and litigation risks.

Due to our global operations, we are exposed to various other legal risks. In addition to the risks relating to product liability claims, this includes risks relating to competition and antitrust law, patent law, tax legislation and environmental and health and safety laws and regulations. We have been and are currently involved in a number of administrative, legal and arbitration proceedings and may continue to do so in the future. For example, we are involved in several disputes relating to our performance of a general contractor agreement in South Africa in connection with Project Medupi, our largest project by far. The disputes are mainly with one subcontractor engaged to construct a component due to opposing views on the selection and installation of bolts and the painting to be applied by the subcontractor, with substantial amounts claimed in relation to both services, as well as additional costs incurred by the subcontractor as a result of delays and disruptions of works due to several events, including labor disputes, wage increases caused by the implementation of a labor agreement between the end-customer and South African labor organization, and costs relating to an unprotected industrial action. Some of these disputes are currently being discussed, in part in out-of-court adjudication proceedings and in part in arbitration proceedings. In some cases, we expect that the claim will be passed on to the customer and, ultimately, to the end-customer under the project. See "*Business—Material Legal Disputes—Claims Filed or Threatened by Customers and Subcontractors against HX Group Companies.*"

The outcome of any current pending or future proceedings cannot be predicted with certainty and any litigation carries the risk of an adverse outcome. Thus, administrative decisions, legal or regulatory judgments or agreed settlements could give rise to expenses which are not covered, or not fully covered, by insurance benefits or which exceed the amounts that may have been set aside for the relevant proceeding. This could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Antitrust or competition-related claims or investigations could result in changes to how we do business and defending such claims could be costly.

We are subject to applicable antitrust and competition laws and regulations in the countries where we operate. These laws and regulations seek to prevent and prohibit anti-competitive activity, including merger control relating to acquisitions, prevention of abuses of a dominant market position, etc. We may incur in infringements of such laws and regulations in connection with our operations. Such behavior may lead to antitrust or competition-related claims and investigations, which can be costly in terms of time and expense. Following such a claim or investigation, we may be required to change the way in which we offer a particular product or service, and if we are found to have violated antitrust or competition laws or regulations, we may be subject to fines or penalties. Any antitrust or competition-related claim or investigation could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

In the past, we have received state aid that has reduced our expenses. Reductions in the amount of state aid we receive or demands for repayment could increase our reported expenses.

In the past we have received state aid in various ways, both in Germany and in other jurisdictions. The availability of government subsidies is largely outside of our control. We may not be able to benefit from such support in the future and sufficient alternative funding may not be available on a timely basis or on terms satisfactory to us. Generally, we believe that less state aid will be available in each of the countries in which we have received funding in the past, and the competition for government funding is expected to intensify.

The application for and implementation of such subsidies often involves compliance with extensive regulatory requirements, including, in the case of subsidies to be granted within the European Union, notification to the European Commission in respect of the contemplated grant prior to disbursement. In particular, compliance with project-related ceilings on subsidies defined under European Union law often involves highly complex economic evaluations. Many of the legal and other criteria for receiving subsidies have become more stringent. If we fail to meet such requirements or conditions, we may not be able to receive the subsidies or may be obliged to repay them. In addition, the terms of certain of the subsidies we have received impose certain conditions that may limit our flexibility to utilize the subsidized facility as we deem appropriate, to transfer equipment to other facilities, to reduce employment at our sites, or to use related intellectual property outside of the European Union. This could impair our ability to operate our business in the manner we believe is most cost effective. Any of the foregoing developments could have a material adverse effect on our competitive situation, business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

We are subject to tax risks, especially as a result of changes in tax law or its interpretation and application or as a result of tax audits.

The German and foreign tax assessments of the Group are audited by the tax authorities at regular intervals. We regularly review the applicable German and foreign taxation rules in order to identify new developments and make the relevant adjustments. With respect to Germany, the last tax audits covering, for most of the HX Group companies, the 2005 to 2008 financial years were finalized. Tax audits for some of the German companies of the HX Group covering the 2009 to 2011 financial years are currently ongoing or expected to be announced by the German tax authorities in due course. With regard to non-German jurisdictions, at the level of some non-German companies of the HX Group no tax audits have been conducted yet, whereas the latest finalized tax audits of the other non-German companies of the HX Group cover different financial years. For example, in China, tax audits have only been conducted in a few companies, whereas the other companies have not been subject to tax audits yet. In addition, one company in China is subject to an additional review for past financial years in which the tax authorities challenge the deduction of certain expenses. In France, for the 2011 to 2013 financial years no tax audits have been conducted yet and only one company is subject to an ongoing tax audit. In the Netherlands, the companies have not been subject to corporate tax audits since the 2009 financial year. In the United Kingdom, the 2010 to 2013 financial years have not been subject to tax audits yet and there are currently no tax audits ongoing. In the United States, our subsidiaries are subject to various state tax audits on a regular basis and the consolidated federal income tax return for the 2009 financial year is currently audited. As a result of current or future tax audits or other review actions of the relevant financial or tax authorities, additional taxes could be assessed, for example, in connection with non-tax deductibility of interest expenses, intra-group pricing terms, or reduction of tax losses carried forward. Demands for tax payments relating to earlier periods cannot be ruled out. Due to the complexity and dynamics of both tax legislation and the interpretation of applicable law by the tax authorities, it is possible that the outcome of the tax audits performed in Germany and abroad may not be as expected and that the tax amounts determined by the tax authorities may exceed the provisions set up for this purpose, so that additional liquid funds must be applied to pay the tax owed, which might adversely affect our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

In the event of changes in our shareholder structure, there is a risk that tax losses and loss carry-forwards as well as interest carry-forwards within the Group could, depending on the provisions applicable in the relevant jurisdictions, be forfeited in whole or in part. This forfeiture of interest or tax loss carry-forwards would diminish the deferred tax assets. This effect would not have an impact on liquidity in our consolidated financial statements. However, the tax burden in future assessment periods could be increased if corresponding tax loss carry-forwards or interest carry-forwards can no longer be set off against the taxable annual income. Moreover, future changes in tax law or in administrative practices in Germany or other countries where we may from time to time be subject to taxation could increase our tax burden. This could have an adverse effect on our net assets, financial position and results of operations.

In addition, whether or not it will be possible to realize deferred tax assets will depend on our ability to generate sufficient taxable income in the future in order to make use of interest carry forwards, tax loss carry-forwards or tax credits. A change in the estimated amounts or our future taxable income may result in the necessity to recognize further impairments. This could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Risks Related to our Financing

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

After the issuance of the Notes, we will be highly leveraged. As of March 31, 2014, after giving effect to the Transactions and the application of the proceeds from the Financing, we would have had total debt of €787.4 million. The terms of each of the Indentures will permit the Issuers and their restricted subsidiaries to incur substantial additional indebtedness, including in respect of committed borrowings of up to €75.0 million under the Senior Revolving Credit Facility and committed drawings of up to €400.0 million under the Senior Guarantee Facility. See "*Capitalization*."

The degree to which we will be leveraged following the issuance of the Notes could have important consequences for holders of the Notes, including, but not limited to:

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

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

Each of the Issuers is dependent upon cash flow from subsidiaries to meet its obligations on the Notes and the Notes Guarantees.

Each of the Issuers, Galapagos BidCo and Blitz is a company with limited business operations and each Issuer depends upon the receipt of sufficient funds from their subsidiaries to meet its obligations. We intend to provide funds to the Issuers in order to meet the obligations on the Notes through a combination of dividends and intercompany loans. In addition, the assets of HX Holding and HX AT as direct subsidiaries of Blitz, a wholly owned indirect subsidiary of the Senior Secured Notes Issuer, essentially consist of the shares in their respective operating subsidiaries. Given the Group's global operations, HX comprises a large number of operating subsidiaries and business participations, which individually contribute to the Group's results. Therefore, in order to be able to meet its obligations to pay interest and principal to you under the Notes, each of the Issuers is dependent on the operating subsidiaries and business participations of HX Holding and HX AT. If the dividends and intercompany loans do not distribute sufficient cash to the relevant Issuer to make scheduled payments on the Notes, the ability of each Issuer to make payments may be limited and depend on factors beyond its control.

Various agreements governing our debt may restrict and, in some cases may actually prohibit, the ability of these subsidiaries to move cash within their restricted group. Applicable tax laws may also subject such payments to further taxation. Applicable law may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. In particular, the ability of the Issuer's subsidiaries to pay dividends to the Issuer will generally be limited to the amount of distributable reserves available to it. Under German law, all dividends may only be distributed out of current profits and distributable reserves, and, in principle, interim dividend distributions are not allowed under German law. However, it is uncertain under German law whether interim dividends may be allowed in certain circumstances, subject to strict conditions. The subsidiaries of the Issuer that do not guarantee the Notes have no obligation to make payments with respect to any series of the Notes.

The inability to transfer cash among entities within their respective consolidated groups may mean that, even though the entities, in aggregate, may have sufficient resources to meet their obligations, they may not be permitted to make the necessary transfers from one entity in their restricted group to another entity in their restricted group in order to make payments to the entity owing the obligations.

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

Each of the Indentures will restrict, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of the Issuers or their restricted subsidiaries;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to the Issuers;

- sell, lease or transfer certain assets, including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities; and
- impair security interests for the benefit of the holders of the Notes.

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

In addition, the Senior Revolving Credit Facility Agreement requires us to maintain a specified minimum amount of consolidated EBITDA (as such term is defined in and calculated in accordance with the Senior Revolving Credit Facility Agreement) if as of the relevant quarter date utilizations (including cash drawings under any ancillary facility) in an aggregate amount of at least 30% of the total commitments under the Senior Revolving Credit Facility Agreement are outstanding. In addition, we are unable to draw new amount under the Senior Revolving Credit Facility Agreement if as of the proposed utilization date utilizations (including cash drawings under any ancillary facility) in an aggregate amount of at least 30% of the total commitments under the Senior Revolving Credit Facility Agreement will be outstanding unless we were, or as the case may be, would have been (if it were tested) in compliance with the minimum EBITDA covenant on the most recent quarter date. Our ability to maintain the minimum amount of consolidated EBITDA can be affected by events beyond our control, and we cannot assure you that we will maintain it. A breach of any of those covenants or restrictions or the requirement to maintain a minimum amount of consolidated EBITDA could result in an event of default under our Senior Revolving Credit Facility Agreement and/or our Senior Guarantee Facility Agreement. Upon the occurrence of any event of default under our Senior Facilities, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the facilities and elect to declare all amounts outstanding under the Senior Facilities, together with accrued interest, immediately due and payable. In addition, any default or acceleration under the Senior Facilities could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indentures for the Senior Secured Notes and the Senior Notes. If our creditors, including the creditors under our Senior Revolving Credit Facility Agreement and our Senior Guarantee Facility Agreement, accelerate the payment of those amounts or, in the case of letter of credits, require the provision of cash collateral, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay or, as the case may be, pay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Senior Secured Notes or the Senior Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed against any collateral granted to them to secure repayment of those amounts.

We will require a significant amount of cash to meet our obligations under our indebtedness and to sustain our operations, which we may not be able to generate or raise.

Our ability to make principal or interest payments when due on our indebtedness, including the Senior Facilities, and our obligations under the Senior Secured Notes and the Senior Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*," many of which are beyond our control. The Senior Secured Notes will mature in 2021 and the Senior Notes will mature in 2022. See "*Description of Certain Financing Arrangements*," "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*." At the maturity of the Senior Secured Notes, the Senior Notes and any other debt which we incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, or if we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to refinance our indebtedness. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business activities or capital expenditures, sell assets or raise additional debt or equity financing in amounts that could be substantial. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In addition, the terms of our Senior Revolving Credit Facility Agreement, the Senior Guarantee Facility Agreement the Indentures and any future debt may limit our ability to pursue any of these measures.

Despite our current level of indebtedness, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses.

We may incur substantial additional debt in the future. We have the ability to borrow up to €75.0 million (plus a possible additional €25.0 million under an "accordion" facility) under our Senior Revolving Credit Facility Agreement and to request the issuance of letters of credit in an amount of up to €400.0 million (plus a possible additional €50.0 million under an "accordion" facility) under our Senior Guarantee Facility Agreement, which will be in each case secured by the Senior Secured Notes Collateral. Any debt that our subsidiaries incur could be structurally senior to the Notes, and other debt could be secured or could mature prior to the Notes. Although the Senior Revolving Credit Facility Agreement, the Senior Guarantee Facility Agreement and the Indentures will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase. In addition, the Senior Revolving Credit Facility Agreement, the Senior Guarantee Facility Agreement and the Indentures will not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

The interest amounts payable under our Senior Revolving Credit Facility Agreement and the Senior Secured Floating Rate Notes are calculated on the basis of floating rates that could rise significantly, increasing our costs and reducing our cash flow.

Interest amounts under our Senior Revolving Credit Facility Agreement and interest on the Senior Secured Floating Rate Notes will be calculated at floating rates of interest per annum equal to LIBOR or EURIBOR, as adjusted periodically, plus a margin. These interest rates could rise significantly in the future. Although we intend to enter into certain interest rate hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will continue to be available on commercially reasonable terms. To the extent that interest rates were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

Our interest rate hedging agreements may expose us to credit default risks and potential losses if our counterparties fall into bankruptcy.

We intend to enter into interest rate hedging agreements to hedge our exposure to fluctuations in interest rates, the Senior Secured Floating Rate Notes and future floating rate instruments. Under these agreements, we are exposed to credit risks of our counterparties. If one or more of our counterparties falls into bankruptcy, claims we have under the swap agreements may become worthless. In addition, in the event that we refinance our debt or otherwise terminate hedging agreements, we may be required to make termination payments, which would result in a loss.

We are exposed to liquidity risks.

We are exposed to liquidity risk in that we may be unable to meet payment obligations because we have insufficient cash funds at our disposal. Cash funds are arranged and credit lines managed on the basis of a multiyear financial plan and a rolling month-by-month cash forecast. The inability to ensure sufficient liquidity reserves could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

Market perceptions concerning the instability of the euro, the potential re-introduction of individual currencies within the Eurozone, or the potential dissolution of the euro entirely could have adverse consequences for us with respect to our outstanding debt obligations, such as the Notes, that are euro-denominated.

As a result of the credit crisis in Europe, in particular in Greece, Italy, Ireland, Portugal and Spain, the European Commission created the European Financial Stability Facility (the "EFSF") and the European Financial Stability Mechanism (the "EFSM") to provide funding to Eurozone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for Eurozone countries to establish a permanent stability mechanism, the European stability mechanism (the "ESM"), to be activated by mutual agreement and to assume the role of the EFSF and the EFSM in providing external financial assistance to Eurozone countries after June 2013. In December 2011, the European Council and each Eurozone country agreed to a package of measures designed to restore confidence and address the continued tensions in financial markets, including (i) bringing forward implementation of the ESM from June 2013 to as soon as Member States representing 90% of the capital commitments to the ESM have ratified the ESM treaty, which occurred on September 27, 2012, and (ii) a new fiscal compact between all 17 Eurozone countries and, subject to parliamentary vote, all other non-Eurozone countries (except the United Kingdom) to put deficit restrictions on Member State budgets, with associated sanctions for those Members States who violate the specified limits. Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries (including, most recently, Cyprus and Slovenia) and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Member States. These and other concerns could lead to the re-introduction of individual currencies in one or more Member States or, even possibly, the dissolution of the euro entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-dominated obligations and for parties subject to other contractual provisions referencing the euro such a supply contracts would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues could have adverse consequences for us with respect to our outstanding debt obligations that are euro-denominated, such as the Notes, and, as we have a substantial amount of debt denominated in euro, our financial condition may be materially affected. Furthermore, the Indentures and our Senior Facilities contain or will contain, covenants restricting our and our subsidiaries' corporate activities. See "*—We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.*"

Certain of such covenants impose limitations based on euro amounts (*e.g.*, the amount of additional indebtedness we or our subsidiaries may incur). As such, if the euro were to significantly decrease in value, the restrictions imposed by these covenants would become tighter, further restricting our ability to finance our operations and conduct our day-to-day business.

Risks Related To the Transactions

The Acquisition is subject to significant uncertainties and risks.

On April 16, 2014, Blitz entered into the Acquisition Agreement with GEA AG, GEA Heat Exchangers GmbH and GEA Group Holding GmbH to acquire all the issued and outstanding capital stock of the Target Holdings as well as the Target Separate Share. The consummation of the Acquisition is subject to satisfaction of certain conditions, including regulatory approval in the EU, Russia, Turkey, China, South Korea, the United States, and South Africa and the availability of financing. The parties to the Acquisition Agreement will not consummate the Acquisition until the conditions are fulfilled, which may, potentially, take over ten months and, in exceptional circumstances, significantly longer. Should the parties to the Acquisition Agreement fail to obtain regulatory approval, certain subsidiaries of the Target Holdings might be sold or spun-off, which might lead to the loss of operational synergies and might adversely affect the HX Group's financial position and results of operations. Accordingly, the parties may not be able to undertake this transaction in a timely fashion, without remedies, or at all. Any such remedies may make the Acquisition less attractive.

The Issuers do not currently control the HX Group and will not control the HX Group until completion of the Acquisition.

The HX Group is currently ultimately controlled by GEA AG. The Issuers will not obtain control of the HX Group until completion of the Acquisition. GEA AG may not operate the business of the HX Group during the interim period from signing of the Acquisition Agreement until completion in the same way that we would. The information contained in this offering memorandum has been derived from public sources and, in the case of historical information relating to the HX Group, has been provided to us by GEA AG, the Target Holdings and their respective subsidiaries, and we have relied on such information supplied to us in its preparation. Furthermore, the Transactions themselves have required, and will likely continue to require, substantial time and focus from management, which could adversely affect their ability to operate the business. Likewise, other employees may be uncomfortable with the Transactions or feel otherwise affected by it, which could have an impact on work quality and retention.

In addition, prior to the Completion Date, the HX Group will not be subject to the covenants described in "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*" to be included in the respective Indentures. As such, we cannot assure you that, prior to such date, the HX Group will not take an action that would otherwise have been prohibited by the Senior Secured Notes Indenture or the Senior Notes Indenture had those covenants been applicable.

If the conditions to the escrow are not satisfied, the Issuers 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 Offerings, less certain deductions with respect to fees, will be held in escrow accounts pending the satisfaction of certain conditions, some of which are outside of our control. Completion of the Acquisition is one of the conditions to release of the proceeds from the Offerings of the Notes from escrow. If the Acquisition is not consummated on or before March 31, 2015 or in the event of certain other events that trigger escrow termination, the Notes will be subject to a special mandatory redemption as described in "*Description of the Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Description of the Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*" and you may not obtain the return you expect to receive on the Notes.

The escrow funds will be initially limited to the gross proceeds of the Offerings of the applicable Notes, less certain deductions with respect to fees, and will not be sufficient to pay the special mandatory redemption price, 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 the date of special mandatory redemption. The Triton Funds will be required to fund the accrued and unpaid interest and additional amounts, if any, owing to the holders of the Notes, pursuant to a guarantee provided by such funds. There can be no assurance that the relevant funds providing such guarantee will have sufficient funds to make these payments.

Your decision to invest in the Notes is made at the time of purchase. Changes in the business or financial condition of the HX Group, or the terms of the Acquisition or the financing thereof, between the closing of the Offering and the Completion Date, may have an impact on our creditworthiness, and you will not be able to rescind your decision to invest in the Notes as a result thereof.

Current synergies with companies in the GEA Group will be lost, and we may have difficulties in setting up certain stand-alone functions that have been provided by the GEA Group prior to the Acquisition.

We have worked and cooperated with the GEA Group in order to benefit from synergies. In particular, synergy effects have been generated in the fields of procurement and purchasing, insurance, finance and treasury, accounting, controlling, travel management, tax and IT. If the GEA Group terminates operations completely or ends or significantly reduces its cooperation with the HX Group, the functions would have to be implemented on a stand-alone basis or new qualified partners would have to be sourced. The implementation, as well as the search for new qualified partners and the required coordination with such partners, may prove to be difficult may take longer than expected and could increase costs.

Some of the individuals performing these tasks at the GEA Group will transfer to the HX Group before closing of the Acquisition, and, in some cases, the GEA Group will continue to support the HX Group for a transitional phase following the Acquisition in certain functions, including advice on payroll and accounting services, sales support services in certain countries, administrative services, insurance and IT services, and for the preparation of the first separate consolidated financial statements of the HX Group. These functions may fail to be established to the necessary extent and on time, or they may only be able to be performed or outsourced at higher costs as compared to the pre-Acquisition situation. For example, we have historically relied on a bank guarantee facility taken out by the GEA Group and on corporate guarantees issued by GEA AG for the benefit of third parties (such as our customers) for our liabilities, for example in order to provide the required trade guarantee for our project business. With respect to the bank guarantees, Triton has committed to undertake best efforts to replace the bank guarantees with a new bank guarantee facility taken out by the Senior Secured Notes Issuer. To the extent this is not completed upon the closing of the Acquisition, Triton must provide security to the relevant banks and to GEA AG to cover the risk that any amounts are drawn under such facilities. With respect to corporate guarantees to be issued after the closing of the Acquisition, certain customers may refuse to accept a corporate guarantee issued by us on a stand-alone basis and request a bank guarantee instead. Regarding the stand-alone bank guarantee facility to cover existing and future guarantee requirements, it is probable that this facility will be more costly and more difficult to establish or extend (as may be requested from time to time) as an independent group.

We also use data processing systems and IT networks of the GEA Group. We intend to largely retain these data processing systems and IT networks for the time being and to receive further IT services from the GEA Group under an IT services agreement between us and GEA IT Services GmbH. After the Acquisition, we will consider further measures to change and adapt data processing systems and IT networks. A new IT services agreement with the GEA Group for the transition period provides for a maximum term of 42 months after the closing of the Acquisition, including a ramp-up and know-how transfer phase during the last 12 months of this period required for the migration and set-up of a stand-alone IT system for HX. In the event changes or adaptations are made, the relevant systems may not function or may not properly function or extra costs may need to be incurred. Switching and adaptation costs may also arise. In addition, certain IT assets have been transferred to us by the GEA Group in the course of the separation of HX from GEA AG. The HX Group may not properly own all IT assets required to conduct its business as it has been conducted prior to the separation from the GEA Group.

All the above factors could individually or jointly have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

We may not succeed in creating an independent profile on the market in the long term.

To date, we have operated in the markets as a segment of the GEA Group, mainly under the name “GEA Heat Exchangers” and other company and product brands. Following completion of the Acquisition, we will be permitted to use certain trademarks containing the name “GEA” for a transitional period of nine months. After this period we may lose goodwill associated with the “GEA” brand which may result in a weakening of our market reputation and a decrease in sales. We may not succeed in being perceived and accepted as an independent company by the market following our separation from the GEA Group. This could, for example, have a negative impact on certain customer relationships or result in the loss of certain customers. For example, in Asia Pacific, the GEA brand is well-known in connection with our products. If any or all of the risks described above materialize, it could have a material adverse effect on our business, financial position, results of operations and our ability to fulfill our obligations under the Notes and the Guarantees.

If we do not satisfy the conditions precedent for utilization of the Senior Revolving Credit Facility, we may be required to seek alternative sources of financing to ensure sufficient liquidity reserves.

While we will enter into the Senior Revolving Credit Facility Agreement and material documents related thereto (including the Intercreditor Agreement) on or prior to the Issue Date, there can be no assurance that we will satisfy the conditions precedent to utilization of the Senior Revolving Credit Facility made available under the Senior Revolving Credit Facility Agreement. If we do not meet the conditions precedent to utilization of the Senior Revolving Credit Facility, we will need to seek alternative sources of financing to ensure sufficient liquidity reserves. We may be unable to find such alternative financing, and even if we could obtain alternative financing, it might not be on terms that are favorable or acceptable to us. Any alternative financing could be at higher interest rates and may require us to comply with more onerous covenants, restricting our business operations. This could make it difficult for us to implement our strategy and pay back the Notes.

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, without the consent of holders of the Notes. Furthermore, any amendments made to the Acquisition Agreement may make the Acquisition less attractive. Any amendment made to the Acquisition Agreement may be materially adverse to holders of the Notes, which, in turn, may have an adverse effect on the return you expect to receive on the Notes.

The HX Group may have liabilities that are not known to us.

There may be liabilities that we failed or were unable to discover in the course of performing due diligence investigations into the HX Group in connection with the Acquisition. We may learn additional information about the HX Group that adversely affects us, 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 our business, financial condition and results of operations. In addition, as part of the Acquisition, we have agreed to indemnify the Sellers under the Acquisition Agreement for certain liabilities, in particular in respect of tax liabilities and guarantees originally provided by or on behalf of GEA AG and/or any of its subsidiaries. In certain jurisdictions, obligations in respect of any of these liabilities may rank senior to the Notes Guarantees in a bankruptcy of the relevant Guarantor.

The Acquisition will entitle certain counterparties of the HX Group to terminate their agreements as a result of change of control provisions.

The Acquisition will constitute a change of control under a limited number of agreements entered into by any of the Target Holdings or their respective subsidiaries with certain of their counterparties (*i.e.*, predominantly suppliers, and also certain lessors, customers as well as a factoring bank) and will entitle these counterparties to terminate their agreements with us. We cannot exclude the possibility that some of these counterparties may exercise their termination rights, which could have an adverse effect on our revenues following the Acquisition.

Risks Related To the Notes

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

1. have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this offering memorandum or any applicable supplement;
2. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
3. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest or settlement amount or entitlement payable in one or more currencies, or where the currency for payments of principal or interest or settlement amount or entitlement is different from the potential investor's currency;
4. understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and
5. be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Ownership in respect of the Notes in registered form.

Each of the Issuers will, in respect of the Notes, cause a register (each, a "Register") to be kept at the specified office of the Registrar in which will be entered the names and addresses of the holders of the Notes and particulars of the Notes held by them and all transfers and redemptions of the Notes.

According to Luxembourg company law, the Issuers are each obliged to maintain a register of the Notes issued by them at their registered office (each, an "Issuer Register"). Ownership in respect of the relevant Notes (which are in registered form) is, according to Luxembourg company law, established by the relevant registration (*inscription*) in the relevant Issuer Register. The Registrar has undertaken pursuant to the Indentures to notify the relevant Issuer forthwith of any changes made to the relevant Register to enable it to update the relevant Issuer Register. Accordingly, the registrations in the relevant Register should, in principle, match the recordings in the relevant Issuer Register. However, there may be a delay in updating the relevant Issuer Register and discrepancies in recordings cannot be excluded.

The terms and conditions of the Notes provide that, in the case of discrepancies between the relevant Issuer Register and the relevant Register, the relevant Issuer Register shall prevail. It is generally held that the registrations made in the relevant Issuer Register constitute a means to prove ownership in respect of the relevant Notes. However, Luxembourg case law seems to admit that such registrations in the relevant Issuer Register are not an irrebuttable presumption (*présomption irréfragable*) of title to the relevant Notes and other registrations (such as the registrations made in the relevant Register) could also serve as a means to prove ownership. It can hence not be excluded that, in the case of discrepancies between the relevant Register and the relevant Issuer Register, a Luxembourg court would rule that the relevant Register prevails over the relevant Issuer Register. Certificates representing the Notes in registered form may be issued but they do not confer title to the Notes. Such certificates would also, in principle, not be conclusive evidence to prove ownership in respect of the Notes.

Changes in, or uncertainty relating to, the EURIBOR calculation process may adversely affect the value of the Notes.

The Senior Secured Floating Rate Notes will bear interest at per annum rates equal to three-month EURIBOR, adjusted periodically, plus a spread. Following allegations of manipulation of LIBOR, a different measure of inter-bank lending rates, regulators and law enforcement agencies from a number of governments and the European Union are conducting investigations into whether the banks that contribute data in connection with the calculation of daily EURIBOR may have been manipulating or attempting to manipulate EURIBOR. Actions by EURIBOR-EBF (the association setting the regulatory framework for the calculation of EURIBOR), other regulators or law enforcement agencies could result in changes to the manner in which EURIBOR is determined. Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase or decrease in reported EURIBOR, which could have an adverse impact on the value of the Notes. In addition, the European Commission's legislative proposal for a "Benchmark Regulation" may have a wide ranging impact on users of a benchmark, *i.e.*, a person who owns a financial instrument, or who is a party to a financial contract which references a benchmark. Uncertainty as to the nature of such potential changes may adversely affect the trading market for EURIBOR-based securities, including the Notes.

The rights to enforce remedies with respect to the collateral securing the Notes and the Notes Guarantees are limited as long as any senior secured debt is outstanding.

The Senior Secured Notes will be secured by the same collateral securing our obligations under our Senior Revolving Credit Facility Agreement and our Senior Guarantee Facility Agreement, and, with respect to certain of the collateral securing the Senior Facilities and the Senior Secured Notes, the Senior Notes will also share in such collateral on a second priority basis. In addition, under the terms of the Indentures, the Senior Revolving Credit Facility Agreement and the Senior Guarantee Facility Agreement, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same collateral.

The Intercreditor Agreement requires proceeds from the enforcement of the security to be applied to repay the claims of the lenders under the Senior Revolving Credit Facility Agreement and the Senior Guarantee Facility Agreement, as well as counterparties of certain hedging obligations, in priority to the Notes and other secured obligations.

The Intercreditor Agreement provides that a common security agent will serve as the Security Agent for the secured parties under the Senior Revolving Credit Facility Agreement, the Senior Guarantee Facility Agreement, the Senior Secured Notes, the Senior Notes and certain hedging arrangements and will (subject to certain limited exceptions) act with respect to such collateral only at the direction of the relevant instructing group of creditors. The holders of the Senior Notes will not be able to force a sale of the collateral securing the Senior Notes or otherwise independently pursue the remedies of a secured creditor under the security documents subject to certain customary exceptions for so long as any amounts under the Senior Facilities, the Senior Secured Notes, certain hedging obligations or such other secured debt remain outstanding or as specified in the Intercreditor Agreement. The Intercreditor Agreement provides that the enforcement sale of any collateral will be subject to, as a condition to the release of any claims of any other debt secured by such collateral under the Intercreditor Agreement, certain protections intended to maximize the secured creditors' recovery from an enforcement sale.

The Intercreditor Agreement provides that in the event that the classes of creditors entitled to provide enforcement instructions to the Security Agent provide conflicting instructions, such creditors must, subject to certain exceptions, consult with each other for a period of 30 days following the earlier of (i) the date of such conflicting instructions and (ii) the date falling 10 business days after the first enforcement instructions were delivered in accordance with the provisions of the Intercreditor Agreement, before any enforcement action may be taken. The Intercreditor Agreement provides that such enforcement restrictions in relation to collateral securing the Senior Notes will not apply if, amongst other things: (i) there is a default on the Senior Notes outstanding after a period of 179 days from the date that the relevant facility agent under the Senior Facilities and the Senior Secured Notes Trustee or the creditor representative for holders of other senior secured debt received written notice of a senior notes enforcement notice from the Senior Notes Trustee; (ii) an enforcement action has been taken with respect to certain secured liabilities; provided that the Senior Notes Trustee and holders of the Senior Notes will be limited to taking the same enforcement action; (iii) an event of default has occurred under the Senior Notes Indenture or (iv) the relevant instructing group of senior secured creditors have given their consent to the proposed action. The Intercreditor Agreement provides that a senior secured instructing group may at any time assume control of security enforcement, even if the Senior Notes are then enforcing. As such, the senior secured creditors will have (subject to certain limited exceptions) the exclusive right to elect to make all decisions with respect to the enforcement of remedies relating to the Shared Collateral. As a result, the holders of the Senior Notes may not be able to force a sale of the Shared Collateral or otherwise independently pursue the remedies of a secured creditor under the relevant security documents for so long as any amounts under the Facilities and certain hedging liabilities remain outstanding. These arrangements could be disadvantageous to the holders of the Senior Notes in a number of respects and may permit the lenders under the Senior Facilities, the holder of the Senior Secured Notes and creditors under certain hedging liabilities to control enforcement in circumstances in which their interests are different from those of the holders of the Senior Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The creditors under our Senior Revolving Credit Facility Agreement and the Senior Guarantee Facility Agreement, the holder of the Senior Secured Notes and certain hedging counterparties may have interests that are different from the interests of holders of the Senior Notes, and they may elect to pursue their remedies under the Security Documents at a time when it would be disadvantageous for the holders of the Senior Notes to do so. This may affect the ability of holders of the Senior Notes to recover under the collateral if the proceeds from the collateral, after having satisfied obligations under our Senior Revolving Credit Facility Agreement and the Senior Guarantee Facility Agreement, the obligations under the Senior Secured Notes and certain of our hedging arrangements are less than the aggregate amount owed in respect of the Senior Notes.

In addition, if the creditors or the agents under our Senior Facilities, the Senior Secured Notes or certain hedging counterparties cause the sale of the shares of any of our subsidiaries through an enforcement of their first-priority security interest, in accordance with the terms of the Intercreditor Agreement, the Senior Notes Guarantees and the liens over any other assets securing the Senior Notes and each Senior Notes Guarantee may be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*," "*Description of the Senior Secured Notes—Security—Release of Liens*" and "*Description of the Senior Notes—Security—Release of Liens*." In such a situation, your ability to recover on the Notes, in particular on the Senior Notes, could be materially impaired.

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

The Senior Secured Notes and the Senior Secured Notes Guarantees will be secured by security interests in the collateral described in this offering memorandum. This collateral also secures the obligations under the Senior Facilities on a first-priority basis and, with respect to certain limited collateral, the Senior Notes (on a second-priority basis). The collateral may also secure additional debt to the extent permitted by the terms of the Senior Revolving Credit Facility Agreement, the Senior Guarantee Facility Agreement, the Senior Secured Notes Indenture, the Senior Notes Indenture and the Intercreditor Agreement. Your rights to the collateral may be diluted by any increase in the first-priority debt secured by the collateral or a reduction of the collateral securing the Senior Secured Notes or the Senior Notes, respectively.

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. No appraisals of any of the security have been prepared by us or on our behalf in connection with the Offering. The fair market value of the security is subject to fluctuations based on factors that include, among others, our ability to implement our business strategy, the ability to sell the security in an orderly sale, general economic conditions, the availability of buyers, general, market and economic conditions, the timing and the manner of the sale and similar factors. To the extent that liens, rights or easements granted to third parties encumber assets located on property owned by us, such third parties have or may exercise rights and remedies with respect to the property subject to such liens that could adversely affect the value of the security and the ability of the Security Agent to realize or foreclose on the security. All or a portion of the collateral may be illiquid and may have no readily ascertainable market value. Similarly, we 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 in respect of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding. The collateral is located in more than one country, and the multi-jurisdictional nature of any foreclosure on the collateral may limit the realizable value of the collateral. For example, the bankruptcy, insolvency, administrative and other laws of the various jurisdictions may be materially different from, or conflict with, each other, including in the areas of rights of creditors, priority of government and other creditors, ability to obtain post-petition interest and duration of the proceedings.

The Notes will be secured only to the extent of the value of the assets that have been granted as security.

Not all of our assets secure the Notes and we will not be obligated to take action to perfect all liens on assets that do secure the Notes. In the future, the obligations to provide additional guarantees and, with respect to the Senior Secured Notes, to grant additional security over assets, or a particular type or class of assets, whether as a result of the acquisition or creation of future assets or subsidiaries, the designation of a previously unrestricted subsidiary as a restricted subsidiary or otherwise, is subject to certain security principles set forth in the relevant Indenture. The agreed security principles set out a number of limitations on the rights of the holders of Notes to require granting of, or payment or enforcement under, a guarantee or security in certain circumstances. The operation of the agreed security principles may result in, among other things, the amount recoverable under any guarantee or security provided by any subsidiary being limited or security not being granted over a particular type or class of assets. Accordingly, the agreed security principles may affect the value of the guarantees and security provided by us and our subsidiaries.

In the event that the security is enforced, the holders of the Notes will only be paid once the lenders under the Senior Facilities, counterparties of certain hedging obligations and any other holders of additional super priority indebtedness are repaid in full.

If we default on the Notes, the holders of the Notes will be secured only to the extent of the value of the assets underlying their security interest. The Intercreditor Agreement requires proceeds from the enforcement of the security to be applied to repay the claims of the lenders under the Senior Facilities, as well as counterparties of certain hedging obligations and holders of other future super priority indebtedness, the holders of the Senior Secured Notes and other senior secured obligations in priority to the Senior Notes. At the Completion Date, the Senior Revolving Credit Facility will be available for drawings of up to €75.0 million and the Senior Guarantee Facility will be available for utilizations of letters of credit in a total amount of up to €400.0 million. We expect substantial amounts to be utilized under the Senior Guarantee Facility on the Completion Date. As a result, holders of Senior Secured Notes will receive less from the proceeds of security in an enforcement or insolvency scenario than if they were not required to share proceeds.

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

The collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Senior Secured Notes Indenture, the Senior Notes Indenture and the Intercreditor Agreement and accepted by other creditors that have the benefit of priority security interests in the collateral securing the Senior Secured Notes and/or the Senior Notes from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the collateral securing the Senior Secured Notes and/or the Senior Notes, as well as the ability of the Security Agent to realize or foreclose on such collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterization under the laws of certain jurisdictions.

In addition, our business operates under various national, state and local permits and licenses. The continued operation of properties that comprise part of the collateral for the Senior Secured Notes and that depend on the maintenance of such permits and licenses may be prohibited or restricted. Our business is subject to regulations and permit requirements and may be adversely affected if we are unable to comply with existing regulations or requirements or if changes in applicable regulations or requirements occur. In the event of foreclosure, the grant of permits and licenses may be revoked, the transfer of such permits and licenses may be prohibited or may require us to incur significant cost and expense. Further, we cannot assure you that the applicable governmental authorities will consent to the transfer of all such permits. If the regulatory approvals required for such transfers are not obtained, are delayed or are economically prevented, the foreclosure may be delayed, a temporary or lasting shutdown of operations may result, and the value of the collateral may be significantly decreased.

The enforcement of security interests by the Security Agent will be subject to practical problems generally associated with the realization of security interests in collateral. For example, under Luxembourg law, the enforcement of security over shares, whether by means of a sale or an appropriation, is subject to certain specific requirements. The Security Agent may also need to obtain the consent of a third party to enforce a security interest in certain jurisdictions. We cannot assure you that the Security Agent will be able to obtain any such consent. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the collateral may decline significantly.

The security interests in the collateral will be granted to the Security Agent rather than directly to the holders of the Notes and certain collateral will be granted subsequent to the issuance of the Notes. The ability of the Security Agent to enforce certain of the collateral may be restricted by local law.

The security interests in the collateral that will secure our obligations under the Notes and the obligations of the Guarantors under the Notes Guarantees will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent. The Senior Secured Notes Indenture and the Senior Notes Indenture will each provide (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the security documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the collateral securing the Notes, except through the Senior Secured Notes Trustee or the Senior Notes Trustee, as the case may be, which will (subject to the applicable provisions of the relevant Indenture) provide instructions to the Security Agent in respect of the collateral. In addition, the ability of the Security Agent to enforce the security interests in the collateral is subject to the terms of the relevant transaction security and 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.

The appointment of a foreign security agent will be recognized under Luxembourg law, (i) to the extent that the designation is valid under the law governing such appointment and (ii) subject to possible restrictions, depending on the type of the security interests. Generally, according to section 2(4) of the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, as amended, financial collateral may be provided in favor of a person acting on behalf of the beneficiaries of the financial collateral, a fiduciary or a trustee in order to secure the claims of third-party beneficiaries, whether present or future, provided that these third-party beneficiaries are determined or determinable. Without prejudice to their obligations vis-à-vis third-party beneficiaries of the financial collateral, persons acting on behalf of beneficiaries of the financial collateral, the fiduciary or the trustee benefit from the same rights as those of the direct beneficiaries granted to the financial collateral aimed at by such law.

With respect to certain jurisdictions, including Austria, Belgium, the Czech Republic, France, Germany, Italy, Poland and the Netherlands, due to the laws and case law applicable to the creation and perfection of security interests and enforceability of such security interests, the collateral will secure only a so-called "parallel debt" obligation created under the Intercreditor Agreement in favor of the Security Agent (the "Parallel Debt") rather than secure the obligations under the Senior Secured Notes directly. The Parallel Debt is in the same amount and payable at the same time as the obligations of the Senior Secured Notes Issuer, and the Senior Secured Notes Guarantors under the Senior Secured Notes and the Senior Secured Notes Guarantees (the "Principal Obligations"), and any payment in respect of the Principal Obligations will discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt will discharge the corresponding Principal Obligations. While the relevant provisions of the Intercreditor Agreement express that the Security Agent will have, pursuant to the Parallel Debt, a claim against the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors for the full principal amount of the Senior Secured Notes, the Parallel Debt construct has not been tested in court in these jurisdictions and we cannot assure you that it will be recognized or that it will eliminate or mitigate the risk of invalidity and unenforceability of the pledge. Therefore, the ability of the Security Agent to enforce the collateral may be restricted.

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

Noteholders 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, the collateral will secure only the Parallel Debt created under the Intercreditor Agreement in favor of the Security Agent rather than secure the obligations under the Senior Secured Notes directly. In these cases, the parity of the Senior Secured Notes, the Senior Notes and the other obligations secured by security over the assets which are also subject to the collateral will be implemented by way of the Intercreditor Agreement. As a result, the noteholders need to rely on the effectiveness of the Intercreditor Agreement to implement (i) parity among the holders of the Senior Secured Notes and the other *pari passu* secured creditors and (ii) the ranking between the senior-secured creditors and junior-secured creditors (including the holders of the Senior Notes) which share any security over the same assets. In the event that the Intercreditor Agreement does not ensure parity or ranking (as the case may be) on a contractual basis, the proceeds from the enforcement of the collateral may not be sufficient to repay the obligations under the Senior Secured Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Senior Notes Guarantees will be subordinated to our existing and future senior debt and senior secured debt, and the Senior Notes are subject to restrictions on payment and enforcement.

The Senior Notes Guarantees of each Senior Notes Guarantor will:

- be a general senior subordinated obligation of such Senior Notes Guarantor;
- be secured as set forth under "*Description of the Senior Notes—Security*;"
- be subordinated in right of payment to all existing and future Senior indebtedness of such Senior Notes Guarantor, including such Senior Notes Guarantor's guarantee of the Senior Secured Notes and indebtedness incurred under the Senior Revolving Credit Facility and obligations under the Senior Guarantee Facility Agreement;
- rank *pari passu* in right of payment with any future senior subordinated indebtedness of such Senior Notes Guarantor that is not subordinated in right of payment to such Senior Notes Guarantee;
- rank senior in right of payment to all existing and future indebtedness of such Senior Notes Guarantor that is subordinated in right of payment to such Senior Notes Guarantee;
- be effectively subordinated to any existing and future indebtedness of such Senior Notes Guarantor that is secured on a first-priority basis by property and assets that secure such Senior Notes Guarantee on a second-priority basis (including such Senior Notes Guarantor's guarantee of the Senior Secured Notes and indebtedness incurred under the Senior Revolving Credit Facility Agreement and the Senior Guarantee Facility Agreement) or secured by property or assets that do not secure such Senior Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and
- be effectively senior to all of such Senior Notes Guarantor's existing and future unsecured indebtedness to the extent of the assets securing such Senior Notes Guarantee.

In addition, no enforcement action with respect to any guarantee of the Senior Notes, if any, or any Shared Collateral granted in support of the Senior Notes may be taken unless (subject to certain limited exceptions): (i) any enforcement action has been taken with respect to senior debt (provided the Senior Notes Trustee and holders of the Senior Notes will be limited to taking the same action); (ii) with respect to any enforcement action on a Senior Notes Guarantor, an insolvency event has occurred with respect to such Senior Notes Guarantor (to the extent such event has not occurred solely as a result of any action taken by the Senior Notes Trustee or holders of the Senior Notes); (iii) there is a default on the Senior Notes outstanding after a period of 179 days after the date on which the Senior Secured Notes Trustee or the agent with respect to senior debt received written notice of such default; (iv) a default has occurred resulting from a failure to pay principal on the Senior Notes at a maturity or (v) the lenders under the Senior Facilities and holders of the Senior Secured Notes have given their consent to the proposed action.

In addition, the Intercreditor Agreement contains significant restrictions with respect to payments of the Senior Notes. If a payment stop notice is issued following an event of default under the Senior Revolving Credit Facility, the Senior Guarantee Facility or the Senior Secured Notes, then payments will not be permitted to be made in respect of the Senior Notes until the expiration of the applicable payment stop notice. In some circumstances, for instance where payments were received on the Senior Notes in breach of the Intercreditor Agreement, holders would be required to turn over such payments to the Security Agent for redistribution. In addition, although the holders of the Senior Notes are generally entitled to enforce their claims against the Senior Notes Issuer pursuant to the terms of the Senior Notes Indenture, nevertheless the Intercreditor Agreement places certain limits on enforcement. See "*Description of Certain Financing Arrangements —Intercreditor Agreement*."

Claims of our secured creditors will have priority with respect to their security over the claims of unsecured creditors, to the extent of the value of the assets securing such indebtedness.

Claims of our secured creditors will have priority with respect to the assets securing their indebtedness over the claims of our unsecured creditors. Not all the assets that will secure our Senior Facilities and the Senior Secured Notes will secure the Senior Notes, including the pledges of shares of certain of our subsidiaries that guarantee the Notes, certain bank accounts and certain intercompany debt. Accordingly, each Senior Notes Guarantee will be effectively subordinated to its obligations with respect to the Senior Facilities, the Senior Secured Notes and any other indebtedness and obligations of the relevant Senior Notes Guarantor or of any other subsidiary of the Senior Notes Issuer that is secured by assets that do not also secure the Senior Notes to the extent of the value of such assets. In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any Senior Notes Guarantor or any other subsidiary of the Senior Notes Issuer that has any such secured obligations, holders of such secured indebtedness will have prior claims to the assets of such Senior Notes Guarantor or other subsidiary of the Senior Notes Issuer that constitute their collateral. To the extent the assets securing the Senior Notes are not sufficient to repay all amounts owing in respect thereof, subject to the limitations referred to under "*—Risks Related to the Notes—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*," the holders of the Senior Notes will participate ratably with all holders of the unsecured indebtedness of the relevant Senior Notes Guarantor (other than indebtedness to which the Senior Notes Guarantees have been expressly subordinated), and, potentially with all of their other general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the relevant Senior Notes Guarantor. In the event that any of the indebtedness of the relevant Senior Notes Guarantor that is secured by assets that do not also secure the Senior Notes becomes due or the creditors thereunder proceed against the operating assets that secured such indebtedness, the assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the relevant Senior Notes Guarantee. As a result, holders of Senior Notes may receive less, ratably, than holders of secured indebtedness of the relevant Senior Notes Guarantor.

As of March 31, 2014, after giving effect to the Offerings and the application of the proceeds therefrom, we would have had an aggregate principal amount of €525.0 million of secured financial liabilities (excluding derivative liabilities) outstanding, and up to €475.0 million would have been available for borrowings and the issuance of letters of credit under the committed and undrawn Senior Facilities. We will be permitted to borrow substantial additional indebtedness, including senior debt, in the future, under the terms of the Senior Notes Indenture.

The ability of holders of Senior Notes to recover under the Senior Notes Collateral may be limited.

In order to secure the obligations under the Senior Notes, security interests on a second-priority basis will be granted over the Shared Collateral. Security interests on a first-priority basis in such collateral will be granted for the benefit of creditors under our Senior Facilities and the Senior Secured Notes as well as certain hedging counterparties. Holders of the Senior Notes may not be able to recover on such collateral that is pledged or assigned because the creditors under the Senior Facilities and the Senior Secured Notes will have a prior claim on all proceeds realized from any enforcement of such pledges and any enforcement sale with respect to such collateral, and the Senior Notes will need to share any remaining proceeds from such enforcement with any other secured creditor which share such collateral on a *pari passu* basis. If the proceeds realized from the enforcement of such pledges or such sale or sales exceed the amount owed under our Senior Facilities, certain of our hedging arrangements and the Senior Secured Notes, any excess amount of such proceeds will be paid to the Senior Notes Trustee on behalf of itself and the registered holder of the Senior Notes for the benefit of the holders of the Senior Notes. If there are no excess proceeds, or if the amount of such excess proceeds is less than the aggregate amount of the obligations under the Senior Notes, the holders of Senior Notes will not fully recover (if at all) under such collateral.

Pursuant to the Intercreditor Agreement, until the expiration of a standstill period on enforcement of security on behalf of the holders of the Senior Notes, the Senior Notes Trustee, the Security Agent and holders of the Senior Notes will (subject to certain limited exceptions) not be able to force a sale of the collateral securing the Senior Notes or otherwise independently pursue the remedies of a secured creditor under the Security Documents relating to such collateral for so long as any amounts under the Senior Facilities, certain of our hedging arrangements and the Senior Secured Notes remain outstanding and, if the creditors under the Senior Facilities, certain of our hedging arrangements or the Senior Secured Notes enforce their security, they will have priority over the holders of the Senior Notes with respect to the proceeds from this collateral. See "*—The rights to enforce remedies with respect to the collateral securing the Senior Notes and the Senior Notes Guarantees are limited as long as any senior secured debt is outstanding*." As such, holders of the Senior Notes may not be able to recover on the collateral, if the claims of the creditors or holders under the Senior Facilities, certain of our hedging arrangements or the Senior Secured Notes are greater than the proceeds realized from any enforcement of the collateral. In addition, if the creditors or holders under the Senior Facilities or the Senior Secured Notes sell Galapagos BidCo's or Blitz's shares through an enforcement of their first-priority security interest in accordance with the Intercreditor Agreement, the second-priority security interest over such shares securing the Senior Notes and the Senior Notes Guarantees can be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Senior Notes—Security—Release of Liens*."

The ability of holders of Senior Secured Notes to recover under the Senior Secured Notes Collateral may be limited.

In order to secure the obligations under the Senior Secured Notes, security interests on a first-priority basis will be granted over the Senior Secured Notes Collateral. Security interests on a first-priority basis in such collateral will also be granted for the benefit of creditors under our Senior Facilities as well as certain hedging counterparties. Holders of the Senior Secured Notes may not be able to recover on such collateral that is pledged or assigned because the creditors under the Senior Facilities will have a prior claim on all proceeds realized from any enforcement of such pledges and any enforcement sale with respect to such collateral, and the Senior Secured Notes will need to share any remaining proceeds from such enforcement with any other secured creditor which share such collateral on a *pari passu* basis. If the proceeds realized from the enforcement of such pledges or such sale or sales exceed the amount owed under our Senior Facilities and certain of our hedging arrangements, any excess amount of such proceeds will be paid to the Senior Secured Notes Trustee on behalf of itself and the registered holder of the Senior Secured Notes for the benefit of the holders of the Senior Secured Notes. If the amount of such excess proceeds is less than the aggregate amount of the obligations under the Senior Secured Notes or there are no excess proceeds, the holders of Senior Secured Notes will not fully recover (if at all) under such collateral. See "*—The Intercreditor Agreement requires proceeds from the enforcement of the security to be applied to repay the claims of the lenders under the Senior Revolving Credit Facility Agreement and the Senior Guarantee Facility Agreement, as well as counterparties of certain hedging obligations, in priority to the Notes and other secured obligations*."

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 jurisdictions' law should apply and could adversely affect the ability to enforce the security and to realize any recovery under the Notes and the Notes Guarantees. A summary description of certain aspects of the insolvency laws of Austria, Luxembourg, Germany and certain jurisdictions where the providers of collateral are organized or have their center of main activities are set out in "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*."

If the Notes are redeemed early, an investor may not be able to reinvest such proceeds in a comparable security.

In the event that the Notes are redeemed early in accordance with "*Description of the Senior Notes—Optional Redemption*," "*Description of the Senior Secured Notes—Optional Redemption*" and depending on prevailing market conditions at the time, an investor who receives proceeds due to such an early redemption may not be able to reinvest such proceeds in a comparable security at an effective interest rate as high as that carried by the Notes.

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

We cannot assure you as to:

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

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although an application has been made for the Notes to be listed on the Official List of the LxSE and to be admitted to trading on the Euro MTF Market, we cannot assure you that the Notes will become or remain listed and traded. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Euro MTF Market, failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Notes, from the Official List of the LxSE could have a material effect on a holder's ability to resell the Notes, as applicable, in the secondary market.

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

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

Unless and until 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 Notes. The common depository (or its nominee) for Euroclear and Clearstream will be the sole registered holder of the global notes. Payments of principal, interest and other amounts owing on or in respect of the relevant global notes representing the Notes will be made to Deutsche Bank AG, London Branch as paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if 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 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 relevant 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.

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

Certain collateral will not initially secure the Notes.

Pursuant to the terms of the Senior Secured Notes Indenture, we will be required to take such necessary actions so that, consistent with the Senior Revolving Credit Facility Agreement and the Senior Guarantee Facility Agreement, within 90 days (or 45 days in the case of collateral located in Germany) after the Completion Date, the Senior Secured Notes and the Senior Secured Notes Guarantees are secured, to the extent not already so secured, by the Senior Secured Notes Collateral, which will also secure the Senior Revolving Credit Facility Agreement and the Senior Guarantee Facility Agreement. There can, however, be no assurance that we will be successful in procuring such liens within time period specified.

There may be withholding from payments under the Notes under the EU Savings Directive.

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

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

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from January 1, 2015, in favor of automatic information exchange under the Directive. On March 18, 2014, a draft law was introduced into parliament by the Luxembourg Minister of Finance with a view to amend the laws of June 21, 2005 in that sense.

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

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuers nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuers are required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

If you are a non-German tax resident investor, you may be subject to German limited (corporate) income tax liability with respect to interest payments received on the Notes.

Investors that are not tax resident in Germany may be subject to German limited (corporate) income tax liability with respect to interest payments received on the Notes given that the Notes are collateralized by German-situs real estate unless (i) the Notes are considered to be issued either in the form of global certificates (*Sammelurkunden*) within the meaning of section 9a of the German Securities Custody Act (*Depotgesetz*) or in the form of partial debentures (*Teilschuldverschreibungen*), or (ii) the relevant investor benefits from an applicable double taxation treaty entered into between the jurisdiction in which the investor is tax resident and Germany that provides for full exemption from German tax on interest. The same is true for payments made in lieu of interest by a Guarantor. No administrative guidance or case law on point is available on whether notes governed by non-German laws (*i.e.*, New York law) qualify as global certificates or partial debentures for the purposes of German tax law. See "*Taxation—German Taxation—Foreign Tax Residents*" for more information.

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

Under various circumstances, the Notes Guarantees and the collateral securing the Notes will be released automatically, including, without limitation:

- as described under "*Description of the Senior Secured Notes—Amendments and Waivers*" and "*Description of the Senior Notes—Amendments and Waivers*;"
- in the case of collateral, in connection with any sale or other disposition of property or assets constituting collateral (as applicable), if the sale or other disposition does not violate the "*Limitation on Sales of Assets and Subsidiary Stock*" covenant or other applicable provisions under the Senior Secured Notes Indenture or the Senior Notes Indenture, as applicable;
- in certain circumstances in connection with the transfer of the property or assets to an unrestricted subsidiary;
- upon payment in full of principal, interest and all other obligations of the Senior Secured Notes or the Senior Notes or defeasance or discharge of the Senior Secured Notes or Senior Notes, as provided under "*Description of the Senior Secured Notes—Defeasance*," "*Description of the Senior Notes—Defeasance*," "*Description of the Senior Secured Notes—Satisfaction and Discharge*" and "*Description of the Senior Notes—Satisfaction and Discharge;*" and
- in accordance with the Intercreditor Agreement.

Unless consented to, the Intercreditor Agreement provides that the Security Agent shall not, in an enforcement scenario, exercise its rights to release the Notes Guarantees or security interests in the collateral unless the relevant sale or disposal is made:

- for consideration all or substantially all of which is in the form of cash;
- to the extent there is a release of Guarantees or security granted for the benefit of the holders of Notes, concurrently with the discharge or release of the indebtedness of the disposed entities, including the creditors under the Senior Facilities and holders of the Notes; and pursuant to a public or private auction or other competitive sale process, or if a fairness opinion has been obtained from an independent internationally recognized investment bank or independent internationally recognized accounting firm selected by the Security Agent.

The Intercreditor Agreement also provides that if upon any refinancing of certain indebtedness the liabilities in respect of such refinancing indebtedness cannot be secured *pari passu* with the collateral securing the Notes without such collateral being released, the creditors in respect of such refinancing indebtedness shall be granted a second ranking or lesser security interest in the collateral and will be treated under the Intercreditor Agreement (including for the purposes of the enforcement waterfall) as secured by the collateral *pari passu* with the collateral securing the Notes.

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

The Senior Secured Notes, the Senior Notes and each of the Notes Guarantees will each be structurally subordinated to the liabilities and preference shares (if any) of our non-Guarantor subsidiaries.

Generally, claims of creditors of a non-Guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims under any intercompany loans and claims by holders of the Notes under the Notes Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-Guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to such subsidiary's parent entity. As such, the Senior Secured Notes, the Senior Notes and each Notes Guarantee will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-Guarantor subsidiaries for the Notes. As of and for the year ended December 31, 2013, the revenue, EBITDA and total assets of the HX Guarantors represented 61.2%, 64.8% and 67.4% of the revenue, EBITDA and total assets of the HX Group, respectively. These revenue and total assets figures have been calculated before intercompany eliminations.

Your 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 or the grantor of the security. The liens on the collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these liens.

Please note that the following discussion only covers Germany and Luxembourg, however, your rights in the collateral may be adversely affected by the failure to perfect security interests in the collateral in any other jurisdiction.

Under German law, the creation of a valid security interest under a German law-governed pledge agreement in relation to certain assets (*e.g.*¸ bank accounts) may be subject to a delivery of a notice of pledge by the Security Agent or the security provider to a third party (*e.g.*, the notice of pledge to the account bank in case of a pledge over bank accounts).

Under the Luxembourg Collateral Act (as defined below), the perfection of security interests depends on certain registration, notification and acceptance requirements. A pledge agreement over shares and preferred equity certificates (in registered from) (i) must be or would typically be, as applicable, accepted by or notified to the company which has issued the shares, and the preferred equity certificates (subject to the pledge) and (ii) must be or would typically be, as applicable, registered in the register of shares and/or the registered holders of preferred equity certificates of such company. If future shares and preferred equity certificates are pledged, the pledge registration wording in the relevant registers of such company may need to be updated. Until such registrations, notifications and acceptances occur, the pledge agreements are not effective and perfected against third parties. A pledge over receivables becomes enforceable against the debtor of the receivables and third parties from the moment when the agreement creating the pledge is entered into between the pledgor and the pledgee. However, if the debtor has not been notified of the pledge or if it did not otherwise acquire knowledge of the pledge, it will be validly discharged if it pays the pledgor. A bank account pledge agreement must be notified to and accepted by the account bank so as to ensure that the account bank has waived any pre-existing security interests and other rights in respect of the relevant account. If (future) bank accounts are pledged, an additional notification to, and acceptance and waiver by the account bank will typically be required.

Absent perfection, the holder of the security interest may have difficulty enforcing or be entirely unable to enforce such holder’s rights in the collateral in competition with third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same collateral. In addition, a debtor may discharge its obligation under a receivable 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 taker over the receivable the security provider (as creditor) has against the debtor. Finally, since the ranking of pledges is 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 come into force for third parties earlier (by way of registration in the appropriate register or by notification) generally has priority.

Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability.

The Senior Secured Notes Guarantors will guarantee the payment of the Senior Secured Notes on a senior basis and the Senior Notes Guarantors will guarantee the Senior Notes on a senior subordinated basis. Each Notes Guarantee will provide the relevant holders of the Notes with a direct claim against the relevant Guarantor. However, each Indenture will provide for general and local law specific limitation language to the effect that each Notes Guarantee and each security interest granted as well as any other obligation, liability or indemnification under a Security Document will be limited to the maximum amount that can be guaranteed or secured by the relevant Guarantor or security provider with respect to the aggregate obligations and exposure of the Guarantor or security provider without rendering the Notes Guarantee or security interest voidable or otherwise ineffective under applicable law, and enforcement of each Notes Guarantee or Security Document would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, a court could subordinate or void the Notes Guarantees or the security interest granted under the Security Documents and, if payment had already been made under a Notes Guarantee or enforcement proceeds applied under a Security Document, require that the recipient return the payment to the relevant Guarantor or security provider, if the court found that:

- the amount paid or payable under the relevant Notes Guarantee or the enforcement proceeds under the relevant Security Document was in excess of the maximum amount permitted under applicable law;
- the relevant Notes Guarantee or security interest under a Security Document was incurred with actual intent to hinder, delay or defraud creditors of the Guarantor or security provider or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor or security provider was insolvent when it granted the relevant Notes Guarantee or security interest;

- the Guarantor or security provider did not receive fair consideration or reasonably equivalent value for the relevant Notes Guarantee or security interest and the Guarantor or security provider was: (i) insolvent or rendered insolvent because of the relevant Notes Guarantee or security interest; (ii) undercapitalized or became undercapitalized because of the relevant Notes Guarantee or Security Document; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant Notes Guarantees or Security Documents were held to exceed the corporate objects or corporate purposes of the Guarantor or security provider or not to be in the best interests or for the corporate benefit of the Guarantor or security provider; or
- the Guarantee was entered into or, as the case may be, the security interest was created without a legal obligation to do so, is prejudicial to the interests of the other creditors and both, the Guarantor or collateral provider and the beneficiary of the Guarantee were aware of or should have been aware of the fact that it was prejudicial to the other creditors.

Please note that the following discussion only covers the laws of Germany and Luxembourg, however, each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability in any other jurisdiction.

Under the German Insolvency Code (*Insolvenzordnung*), an insolvency administrator may avoid (*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 avoidance periods.

Generally, if transactions, performances or other acts are successfully avoided by the insolvency administrator, any amounts or other benefits derived from such challenged transaction, performance or act will have to be returned to the insolvent estate (*Insolvenzmasse*). The administrator's right to avoid 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 particular, an act (*Rechtshandlung*) or a legal transaction (which term includes the granting of a guarantee, the provision of security or the payment of debt) detrimental to the creditors of the debtor may be avoided according to the German Insolvency Code in certain cases.

In addition, the Guarantors' obligations and the security interest granted by (direct or indirect) subsidiaries of the respective Issuer are subject to material enforcement restrictions to comply with capital maintenance, corporate benefit and liquidity protection rules under mandatory corporate law of the jurisdiction of the applicable Guarantor or grantor of security interests. In order to enable such Guarantors or grantors to guarantee the Notes and grant security interests over their assets to secure the Notes without the risk of violating applicable law and to protect management from personal liability, it is standard market practice in these jurisdictions for upstream and cross-stream guarantees and collateral agreements to contain so-called "limitation language" in relation to upstream or cross-stream guarantees and security.

In addition, the granting of new security interests in connection with the issuance of the Notes may create hardening periods for such security interests in Germany and Luxembourg (save for financial collateral arrangements within the meaning of the Luxembourg law of August 5, 2005 on financial collateral arrangements, as amended). The applicable hardening period for these new security interests will run from the moment each new security interest has been granted or perfected. The Indenture will permit the security interests in the collateral to be released and retaken in certain circumstances. Such release and retaking will restart the applicable hardening periods. At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it.

It is possible that a Guarantor, or a creditor of a Guarantor, the grantor of security interests, or the creditor thereof, or the bankruptcy trustee in the case of a bankruptcy of a Guarantor or grantor of such Security Interests, may contest the validity and enforceability of the Guarantor's Note Guarantee on any of the above grounds and that the applicable court may determine that the Note Guarantee or the Security Interests should be limited or voided. To the extent that agreed limitations on the guarantee obligation apply, the Notes would be to that extent effectively subordinated to all liabilities of the applicable Guarantor and/or grantor, including trade payables of such Guarantor and/or grantor, as applicable. Future Note Guarantees and/or security interests may be subject to similar limitations. For more information, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*."

Guarantees and collateral to be granted by certain Guarantors will not be in place at the closing date.

In certain jurisdictions, primarily as a result of financial assistance "whitewash" procedures, local law rules and regulations and certain other practical limitations, certain of our non-U.S. subsidiaries will not be able to grant Guarantees or provide collateral over their assets securing the Notes until after the closing date. Such Guarantees will not be granted until such procedures have been completed or such other regulatory approvals have been obtained in accordance with the applicable law in those jurisdictions. In addition, the enforceability of security interests in certain jurisdictions may be subject to registration or other perfection steps or the payment of stamp duty or registration liabilities with respect to the security documents. Such registration or other perfection requirements or payments will take time to complete after the closing date. Until such time as the registration or other perfection steps are effective or stamp duty or registration liabilities are paid, the relevant security interests may not be enforceable. Accordingly, we do not expect the holders of the Notes to have the benefit of enforceable security interests in the stock of, or assets to be pledged by, some or all of the Guarantors organized in jurisdictions outside the United States as of the closing date, and we cannot assure you that we will be able to take such steps in a reasonable amount of time after the closing date. As a result, if there is a default under the terms of the Notes prior to the date that such subsidiaries have entered into Guarantees and granted a valid and enforceable security interest in those jurisdictions, the Notes may not be guaranteed by all Guarantors and the value of the collateral may not be sufficient to repay the holders of the Notes. Furthermore, the holders of the Notes will not be entitled to exercise the remedies otherwise available to a secured lender under applicable law with respect to the assets and stock of such subsidiaries, subject to the registration or other perfection procedures or the payment of stamp duty or registration liabilities.

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

Germany

Certain subsidiaries of the Issuers are organized under the laws of Germany and have their registered offices in Germany and substantially all their assets are located in Germany (each a "German Company"). Consequently, any insolvency proceedings with regard to the German Companies are likely to be initiated in Germany and would most likely be governed by the insolvency laws of Germany.

The provisions of German insolvency law differ substantially from U.S. bankruptcy laws, including with respect to priority of creditors' claims, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and hence may be less favorable to holders of the Notes than comparable provisions of U.S. law. Thus, your ability to recover payments due on the Notes may be more limited than would be the case under U.S. bankruptcy laws.

For holders of the Notes, the opening of formal insolvency proceedings against the German Companies subject to the German insolvency regime include the following important consequences:

- unless debtor-in-possession status (*Eigenverwaltung*) is granted by the court upon application by the relevant debtor, the right to administer and to dispose of our assets generally passes to the insolvency administrator (*Insolvenzverwalter*);
- also subject to the granting of debtor-in-possession status (*Eigenverwaltung*), disposals effected by the management of any German Company after the opening of formal insolvency proceedings are generally null and void by operation of law;
- if, during the final month preceding the date of filing for the opening of insolvency proceedings or after that date, a creditor in the insolvency proceedings acquires by way of enforcement a security interest in part of the debtor's assets that would normally form part of the insolvency estate, such security interest becomes null and void by operation of law upon opening of the insolvency proceedings; and
- claims against any German Company may generally only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*).

For more information, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*."

The insolvency laws of the respective jurisdictions of incorporation of the Issuers and the Guarantors may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.

At least one Issuer or Guarantor is incorporated under the laws of Austria, Belgium, the Czech Republic, France, Hungary, Italy, Luxembourg, the Netherlands, Poland, Singapore, South Africa, the United Kingdom and the United States. Accordingly, in the event of bankruptcy or insolvency of such Guarantor, insolvency proceedings insolvency proceedings may be based on and governed by the insolvency laws of Austria, Belgium, the Czech Republic, France, Hungary, Italy, Luxembourg, the Netherlands, Poland, Singapore, South Africa, the United Kingdom and the United States. The insolvency laws of Austria, Belgium, the Czech Republic, France, Hungary, Italy, Luxembourg, the Netherlands, Poland, Singapore, South Africa, the United Kingdom and the United States may be less favorable to your interests as creditors than the bankruptcy laws of the United States or another jurisdiction with which you may be familiar, in particular with respect to priority of creditors' claims, the ability to obtain post-petition interest and the duration of the insolvency proceedings. The application of these laws, and any conflict between them, may limit your ability to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws.

While Council Regulation (EC) No. 1346/2000 on insolvency proceedings, as amended (the "EU Insolvency Regulation") provides in general that insolvency proceedings encompassing all of a debtor's assets on a European-wide basis can be commenced in the European Union Member State in which the debtor has its "center of main interests" as described in the EU Insolvency Regulation (generally presumed to be the place of the registered office in the absence of proof to the contrary), territorial proceedings against a Guarantor may also be opened in another EU Member State in respect of the assets situated in the territory of that other Member State if the Guarantor possesses an establishment within that territory. In the case of the respective Guarantors, the places of their registered offices are Austria, Belgium, the Netherlands, Poland, and the United Kingdom, respectively, and accordingly, the respective insolvency laws would mainly apply, subject to certain exceptions. However, if a court determines that the respective Guarantor's center of main interests is in a European Union Member State other than Austria, Belgium, the Netherlands, Poland, or the United Kingdom, respectively, insolvency proceedings applicable to the respective Guarantor could be commenced in that other Member State, or if territorial proceedings are opened in another country on the basis of an establishment in the relevant territory, these proceedings would, prima facie, be governed by the laws of the jurisdiction where the respective proceedings are opened. Any of these insolvency laws might be less favorable to you than Austria, Belgium, the Netherlands, Poland, or the United Kingdom insolvency law, respectively, the bankruptcy laws of the United States or another jurisdiction with which you may be familiar, in particular with respect to priority of creditors' claims, the ability to obtain post-petition interest and the duration of the insolvency proceedings. The application of these laws, and any conflict between them, may limit your ability to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws. See also "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*" for information on the insolvency laws of the European Union and Austria, Belgium, Germany, Hungary, Italy, Luxembourg, the Netherlands, Poland, Singapore, South Africa, the United Kingdom and the United States.

We may not have the ability to raise the funds necessary to finance an offer to repurchase the Senior Secured Notes and the Senior Notes upon the occurrence of certain events constituting a change of control as required by each Indenture and the change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events.

Upon the occurrence of certain events constituting a "change of control," the Senior Secured Notes Issuer will be required to offer to repurchase all outstanding Senior Secured Notes and the Senior Notes Issuer will be required to offer to repurchase all outstanding Senior Notes, in each case, at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuers to pay the purchase price of the outstanding Senior Secured Notes or the Senior Notes or that the restrictions in our Senior Revolving Credit Facility Agreement, the Intercreditor Agreement or our other then existing contractual obligations would allow us to make such required repurchases. A change of control event may result in an event of default under, or acceleration of, our Senior Revolving Credit Facility Agreement and other indebtedness. The repurchase of the Senior Secured Notes and the Senior Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of either the Senior Secured Notes Issuer or the Senior Notes Issuer to receive cash from their respective subsidiaries to allow them to pay cash to the holders of the Senior Secured Notes or the Senior Notes, respectively, following the occurrence of a change of control, may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when we are prohibited from providing funds to the Issuers for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuers will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Senior Secured Notes and the Senior Notes upon occurrence of a change of control event. We cannot assure you that we would be able to obtain such financing.

Any failure by the Issuers to offer to purchase the Senior Secured Notes and the Senior Notes would constitute a default under each of the Indentures, which would, in turn, constitute a default under the Senior Revolving Credit Facility Agreement, the Senior Guarantee Facility Agreement and certain other indebtedness. See "*Description of the Senior Secured Notes—Change of Control*" and "*Description of the Senior Notes—Change of Control*."

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

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

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

The Senior Secured Notes and the Senior Notes will be denominated and payable in euros. If investors measure their investment returns by reference to a currency other than euros, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which investors measure the return on their investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which the investors measure the return on their investments. Investments in the Notes denominated in a currency other than U.S. dollars by United States investors may also have important tax consequences as a result of foreign exchange gains or losses, if any. See "*Taxation—U.S. Taxation*."

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

Each of the Issuers and each of the Guarantors (except for GEA Heat Exchanger, Inc. and GEA of Alabama, L.L.C.) and each of their respective subsidiaries are organized outside the United States. The directors and executive officers of the Issuers and the Guarantors (except for the directors and executive officers of GEA Heat Exchanger, Inc. and GEA of Alabama, L.L.C.) are non-residents of the United States and substantially all of their assets are located outside of the United States. Although we and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on these directors and executive officers. In addition, as the assets of the Issuers and the Guarantors and (except for GEA Heat Exchanger, Inc. and GEA of Alabama, L.L.C.) their respective subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce judgments obtained in the U.S. courts against them. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuers and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States.

It may also not be possible for investors to effect service of process within Germany or other countries in which the Guarantors are organized, as the case may be, upon the Issuers 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 and other relevant laws implementing such convention if such service were deemed to infringe German sovereignty or security, particularly if such service violated the German Federal Constitution (*Grundgesetz*), or other applicable law. If a judgment is obtained in a U.S. court against any of the Issuers or any Guarantor, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. The noteholders should consult with their advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States. See "*Service of Process and Enforcement of Civil Liabilities*."

With respect to Guarantors from other jurisdictions, please refer to "*Service of Process and Enforcement of Civil Liabilities.*"

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

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financing and could adversely affect the value and trading of such Notes.

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

The Notes and the Notes Guarantees have not been registered under, and we are not obliged to register the Notes or the Notes Guarantees under, the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. See "*Notice to Investors*." We have not agreed to or otherwise undertaken to register any of the Senior Secured Notes, the Senior Notes or the Notes Guarantees, and do not have any intention to do so.

Holders of the Notes may be required to recognize taxable income for U.S. federal income tax purposes on the Notes in a taxable year in excess of cash payments received by them on the Notes.

The Notes may be issued with original issue discount ("OID") for U.S. federal income tax purposes. The Notes will be considered as issued with OID if the stated principal amount of the Notes exceeds the issue price of the Notes by more than a *de minimis* amount. If the Notes are issued with OID, U.S. Holders (as defined in this offering memorandum) will be required to include the OID in gross income (as ordinary income) generally on a constant yield to maturity basis in advance of the receipt of cash payment to which such income is attributable regardless of such holders' regular method of accounting for U.S. federal income tax purposes. Please see "*Taxation—U.S. Taxation*" for a further discussion of the tax considerations with respect to the Notes.

The interests of our shareholders may conflict with your interests as a holder of the Notes

Private equity investment funds indirectly own the majority of the shares of the indirect parent entity of the Issuers. As a result, our shareholders have and will continue to have, directly or indirectly, the power to affect our legal and capital structure as well as the ability to elect and change our management and to approve other changes to our operations and to control the outcome of matters requiring action by our shareholders. Our shareholders' interests in certain circumstances may conflict with your interests as noteholders, particularly if we encounter financial difficulties or are unable to pay our debts when due. For example, the shareholders could vote to cause us to incur additional indebtedness. Our shareholders are in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. Our shareholders may also pursue acquisition opportunities that are complementary to our business and, as a result, those acquisition opportunities may not be available to us. In addition, our shareholders have held, hold or may hold interests in suppliers or customers of the HX Group. Our shareholders and their affiliates could also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to you as a holder of Notes.

THE TRANSACTIONS

The Acquisition

On April 16, 2014, Blitz, an acquisition vehicle ultimately controlled by Triton, entered into the Acquisition Agreement with the Sellers to acquire all shares in the Target Holdings as well as the Target Separate Share. The Acquisition Agreement provides for a fixed equity purchase price of €1.062 billion, payable on the Completion Date.

The consummation of the Acquisition pursuant to the Acquisition Agreement is subject to certain regulatory approvals, in particular merger control clearances in the EU, Russia, Turkey, China, South Korea, the United States and South Africa, as well as the absence of a judgment, injunction, order or other decision by any competent court or any governmental authority prohibiting the consummation. The parties to the Acquisition Agreement have agreed to cooperate in connection with such merger control clearances, and Blitz is obligated under the Acquisition Agreement to, and to cause certain of its affiliates to, undertake everything in its or their power in order to obtain the necessary merger control clearances as soon as practically possible, unless this would cause an unreasonable hardship (*Unzumutbarkeit*) under the terms of the Acquisition Agreement. If the respective regulatory approvals are not obtained on or before March 31, 2015 (or such later date as the parties to the Acquisition Agreement agree), the Acquisition Agreement may be terminated by the Sellers. If either Blitz or the Sellers fail to perform their duties under the Acquisition Agreement prior to closing, the other party (acting jointly in the case of the Sellers) will have a termination right. In addition, if the respective regulatory approvals are not obtained on or before March 31, 2015 substantial assets of HX Group may be sold or spun off.

In connection with the Acquisition, senior management of the HX Group will invest in Galapagos Management S.C.A., which indirectly owns approximately 10% of the Senior Notes Issuer, and we expect that as of the Completion Date senior management will indirectly hold approximately 8% of the share capital of Galapagos Holding S.A., the indirect parent company of Blitz.

We currently expect that all inter-group financing owed by members of the HX Group to the Sellers or their affiliates (other than the HX Group) (the "Inter-Group Debt") will be repaid prior to the Completion Date with cash generated by the HX Group prior to the Completion Date. To the extent that any Inter-Group Debt remains outstanding on the Completion Date, Blitz will be required under the Acquisition Agreement to acquire and assume such Inter-Group Debt, including all accrued and unpaid interest thereon and all rights and obligations under the related underlying agreements, for an amount of consideration equal to the aggregate nominal value of such outstanding Inter-Group Debt.

The Acquisition Agreement includes, among other things, covenants obligating the Sellers to cause the HX Group to conduct its business in the ordinary course and consistent with lawful past practice during the period until the Completion Date.

Blitz, a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated and existing under the laws of Germany, is a direct wholly owned subsidiary of Galapagos BidCo S.à r.l. ("Galapagos BidCo"), a private limited liability company (*société à responsabilité limitée*) incorporated and existing under the laws of Luxembourg. Galapagos BidCo, in turn, is a direct wholly owned subsidiary of the Senior Secured Notes Issuer, a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg. The Senior Secured Notes Issuer, in turn, is a direct wholly owned subsidiary of the Senior Notes Issuer, a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg, which is the holding company of the Group. Each of Galapagos BidCo, the Senior Notes Issuer, the Senior Secured Notes Issuer and Blitz were formed or acquired as a shelf company, as the case may be, with no operational business and no material assets and liabilities, to facilitate the Transactions.

The Financing

The Acquisition will be financed as follows (collectively, the "Financing"):

- based on the assumed Completion Date, Triton will provide approximately €347.0 million to the Senior Notes Issuer through a combination of equity and PECs (the "Equity Contribution"). Approximately €62.5 million thereof will, indirectly through intermediate holding companies, be contributed to the share capital of Blitz and the remainder will be advanced through PECs. The amount of the Equity Contribution may be reduced to the extent that cash generated by the HX Group prior to the Completion Date is used to fund a portion of the consideration payable in the Acquisition. Subject to various factors, including the amount of cash generated during the escrow period, the amount of the Equity Contribution might vary, but will in any case amount to at least 27.5% of our Net Capitalization;
- the Senior Secured Notes Issuer will issue the Senior Secured Notes in an aggregate principal amount of €525.0 million; and
- the Senior Notes Issuer will issue the Senior Notes in an aggregate principal amount of €250.0 million.

The proceeds from the Financing described above will be used to:

- fund the consideration payable for the capital stock of the Target Holdings and the Target Separate Share purchased in the Acquisition;
- repay all amounts outstanding under the Existing Facilities; and

- pay the fees and expenses in connection with the Acquisition and the Financing, including estimated fees and expenses to be incurred in connection with the Offerings.

In addition, on or prior to the Issue Date, the Senior Revolving Credit Facility Agreement will also provide for a Senior Revolving Credit Facility in an aggregate principal amount of €75.0 million and the Senior Guarantee Facility Agreement will provide for a Senior Guarantee Facility in an aggregate principal amount of €400.0 million, each to be available from the Completion Date. Currently, it is expected that the Senior Revolving Credit Facility will not be drawn as of the Completion Date and substantial amounts of the Senior Guarantee Facility will be utilized.

Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering of the Senior Secured Notes less certain deductions with respect to fees into the Senior Secured Notes Escrow Accounts in the name of the Senior Secured Notes Issuer and the gross proceeds from the Offering of the Senior Notes less certain deductions with respect to fees into the Senior Notes Escrow Account in the name of the Senior Notes Issuer. The Senior Secured Notes Escrow Accounts will be controlled by, and pledged on a first-priority basis in favor of, the Senior Secured Notes Trustee on behalf of the holders of the Senior Secured Notes, and the Senior Notes Escrow Account will be controlled by, and pledged on a first-priority basis in favor of, the Senior Notes Trustee on behalf of the holders of the Senior Notes. Prior to the release of escrow proceeds, Triton will directly or indirectly contribute cash into the Senior Secured Notes Issuer and the Senior Notes Issuer to enable them to pay interest on the Notes, which, subject to the availability of cash, will be reimbursed by the Issuers following the Completion Date. The release of escrow proceeds is subject to the satisfaction of certain conditions, including the consummation of the Acquisition. If the Acquisition is not consummated on or prior to March 31, 2015, 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 the date of special mandatory redemption. See "*Description of the Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Description of the Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*."

We refer to the Acquisition, the Financing and the repayment of the Existing Facilities and the Inter-Group Debt collectively as the "Transactions." See "*Use of Proceeds*," "*Capitalization*," "*Description of Certain Financing Arrangements*," "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*."

USE OF PROCEEDS

We estimate that the gross proceeds from the Offerings of the Notes will be equivalent to approximately €775.0 million. Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering of the Senior Secured Notes less certain deductions with respect to fees into the Senior Secured Notes Escrow Accounts and the gross proceeds from the Offering of the Senior Notes less certain deductions with respect to fees into the Senior Notes Escrow Account, in each case, for the benefit of the holders of the relevant Notes. See "*Description of the Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Description of the Senior Notes—Escrow of Proceeds; Special Mandatory Redemption.*"

The Issuers intend to use the net proceeds from the Offerings (equal to the gross proceeds from the Offerings after deducting the Initial Purchasers' commissions and certain estimated expenses to be incurred in connection with the Offerings, including legal, accounting and other professional fees), together with the proceeds from the Equity Contribution, to fund (i) the total consideration to be paid in the Acquisition and (ii) the estimated fees and expenses incurred in connection with the Acquisition, including commitment, placement, financial advisory and other transaction costs and professional fees. See "*The Transactions—The Financing.*"

The expected estimated sources and uses of the funds necessary to consummate the Transactions (including the Acquisition) are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimates of fees and expenses and the actual Completion Date and the cash flow generated by the HX Group until the Completion Date. Any changes in these amounts may affect the amount of the Equity Contribution.

Sources of Funds[1]	*(in € million)*	Uses of Funds	
Notes offered hereby	775.0	Equity purchase price[3]	1,062.0
Equity Contribution[2]	347.0	Total transaction costs[4]	60.0
Total sources	**1,122.0**	**Total uses**	**1,122.0**

(1) The Senior Revolving Credit Facility Agreement provides for a Senior Revolving Credit Facility in an aggregate principal amount of €75.0 million, and the Senior Guarantee Facility Agreement provides for a Senior Guarantee Facility in an aggregate principal amount of €400.0 million. The Senior Revolving Credit Facility is currently not expected to be drawn as of the Completion Date. We expect substantial amounts to be utilized under the Senior Guarantee Facility on the Completion Date. See "*Description of Certain Financing Arrangements*."

(2) Based on the assumed Completion Date, Triton will provide approximately €347.0 million to the Senior Notes Issuer through a combination of equity and PECs. Approximately €62.5 million thereof will, indirectly through intermediate holding companies, be contributed to the share capital of Blitz and the remainder will be advanced through PECs. The amount of the Equity Contribution may be reduced to the extent that cash generated by the HX Group prior to the Completion Date is used to fund a portion of the equity purchase price in the Acquisition. Subject to various factors, including the amount of cash generated during the escrow period, the amount of the Equity Contribution might vary, but will in any case amount to at least 27.5% of our Net Capitalization.

(3) The total consideration payable in the Acquisition may be higher than the equity purchase price if outstanding amounts under the Existing Facilities have not been repaid prior to the Completion Date. We currently expect that the Inter-Group Debt will be repaid prior to the Completion Date with cash generated by HX Group.

(4) Estimated fees and expenses associated with the Acquisition and the Financing, including commitment, placement, financial advisory and other transaction costs and professional fees.

CAPITALIZATION

The following table sets forth, in each case, as of March 31, 2014, the cash and cash equivalents and capitalization of:

- the HX Group on an actual combined basis; and
- the Senior Notes Issuer on a consolidated basis as adjusted to give effect to the Acquisition, the Financing (including the Offerings), the repayment and cancellation of the Existing Facilities the Inter-Group debt, and the entry into the Senior Revolving Credit Facility Agreement and the Senior Guarantee Facility Agreement. The adjustments are based on available information and contain assumptions made by our management.

You should read this table in conjunction with "*The Transactions*," "*Use of Proceeds*," "*Selected Financial Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Description of Certain Financing Arrangements*," "*Description of the Senior Secured Notes*," "*Description of the Senior Notes*" and the financial statements included elsewhere in this offering memorandum.

	As of March 31, 2014		
	HX Group Actual	**Adjustments**	**Senior Notes Issuer as adjusted**[(1)]
		Unaudited *(in € million)*	
Cash and cash equivalents	**88.2**	**(40.2)**	**48.0**[(2)]
Indebtedness:			
Existing Facilities[(3)]	5.8	(5.8)	—
Finance lease liabilities	13.2	—	13.2
Senior Revolving Credit Facility[(4), (7)]	—	—	—
Senior Secured Notes offered hereby[(5), (7)]	—	525.0	525.0
Senior Notes offered hereby[(6), (7)]	—	250.0	250.0
Net liabilities to GEA AG and affiliated companies[(8)]	81.1	(81.1)	—
Other net liabilities[(9)]	(0.8)	—	(0.8)
Total indebtedness[(10)]	**99.3**	**688.1**	**787.4**
Shareholders' equity/contribution[(11)]	**515.6**	**(121.9)**	**393.7**
Total capitalization	**614.9**	**566.2**	**1,181.1**

(1) Estimated as adjusted capitalization is based on an assumed Completion Date of March 31, 2015. Actual amounts may differ.

(2) Cash and cash equivalents is assumed to be approximately €48.0 million on the Completion Date after giving effect to the Transactions. This represents a €25.0 million minimum amount of operational cash anticipated to remain on the balance sheet as of the Completion Date and approximately €23.0 million of cash and cash equivalents relating to the Medupi project held by GEA Aircooled Systems (Pty) Ltd. as of March 31, 2014 (based on exchange rates in effect on such date). The actual amount of cash and cash equivalents may vary.

(3) All amounts outstanding under the Existing Facilities will be repaid in full with a portion of the Equity Contribution and the Existing Facilities will be canceled. Existing Facilities are defined as liabilities to banks.

(4) We expect the Senior Revolving Credit Facility to be undrawn on the Completion Date. The full amount of €75.0 million will be available for drawdowns until May 30, 2020.

(5) Represents the aggregate principal amount of Senior Secured Notes being offered hereby.

(6) Represents the aggregate principal amount of Senior Notes being offered hereby.

(7) We anticipate that, in accordance with IFRS, we will record the financial liabilities representing the Senior Revolving Credit Facilities and the Notes as the principal amount of such financial liabilities reduced by an amount representing our expected expenses relating to such financing, which will be treated as deferred financing expense and amortized over the life of the respective financing instrument. We have not included above any amounts for such deferred financing expense.

(8) Net liabilities to GEA AG and affiliated companies are defined as loans from GEA AG and affiliated companies less loans to GEA AG and affiliated companies.

(9) Other net liabilities include net liabilities from derivatives (€2.2 million of liabilities from derivatives and €1.5 million of assets from derivatives) and other equity investments (€0.2 million of liabilities from other equity investments and €1.7 million of assets from other equity investments).

(10) Total indebtedness does not include any indebtedness related to our €400.0 million Senior Guarantee Facility, which will be utilized upon the Completion Date.

(11) The HX Group actual column represents the actual shareholders' equity as of March 31, 2014, and the Senior Notes Issuer as adjusted column represents the estimated amount of the Equity Contribution. For purposes of this presentation we have assumed that, as of March 31, 2014, the Equity Contribution would have amounted to €393.7 million in order to repay all amounts outstanding under the Existing Facilities and all Inter-Group Debt outstanding as of March 31, 2014. We currently expect that the Inter-Group Debt will be repaid prior to the Completion Date with cash generated by the HX Group prior to the Completion Date as described under "*The Transactions*." Based on the assumed Completion Date and assuming that all outstanding Inter-Group Debt is repaid prior to the Completion Date, we expect that the Equity Contribution will amount to approximately €347.0 million, which will be contributed to the Senior Notes Issuer through a combination of equity and PECs. The amount of the Equity Contribution may be reduced to the extent that cash generated by the HX Group prior to the Completion Date is used to fund a portion of the equity purchase price in the Acquisition. Subject to various factors, including the amount of cash generated during the escrow period, the amount of the Equity Contribution might vary, but will in any case amount to at least 27.5% of our Net Capitalization.

SELECTED FINANCIAL INFORMATION

The financial information contained in the following tables is derived from the audited combined financial statements of the HX Group as at and for the financial years ended December 31, 2011, 2012 and 2013 and the unaudited combined condensed financial statements as at and for the periods ended March 31, 2013 and 2014. The results of operations for interim periods or prior years are not necessarily indicative of the results to be expected for the full year or any future period. Until December 31, 2013, the HX Group was an entity reported as a segment in accordance with IFRS in the GEA Group's consolidated financial statements, which comprises GEA AG and its subsidiaries. Since January 1, 2014, the GEA Group reports the HX Group as discontinued business. The combined financial statements were each prepared in accordance with IFRS and related interpretations issued by the International Accounting Standards Board ("IASB") and were each audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Tersteegenstraße 19-31, 40474 Düsseldorf, Germany ("KPMG") which issued in each case an unqualified auditor's report (*uneingeschränkter Vermerk des unabhängigen Abschlussprüfers*). Unless stated otherwise, all the financial data presented in the text and tables in this section of the offering memorandum is shown in millions of euros (€ million) and has been rounded using standard commercial rounding rules. Rounded figures shown in the tables may not add up exactly to the respective totals given in such tables or in other tables included in this offering memorandum and may also differ from those figures which are mentioned elsewhere in this offering memorandum and have not been rounded.

The entire share capital of HX Holding and HX AT, as well as the 10% interest held by GEA AG in GEA Küba GmbH (the remaining 90% interest being held by HX Holding) will be acquired by Blitz on the Completion Date as part of the Transactions.

The Issuers were formed on April 4, 2014, Galapagos BidCo was formed on April 4, 2014 and Blitz was formed on March 12, 2014, each for the purpose of facilitating the Transactions. None of them have any business operations or material assets or liabilities other than those incurred in connection with their incorporation and the Transactions. We do not present in this offering memorandum any financial information or financial statements of the Issuers, Galapagos BidCo or Blitz for the periods presented. This offering memorandum includes the opening balance sheet of each Issuer and certain limited financial data presented at the Galapagos Holding S.A. level on a consolidated basis as adjusted to reflect the Transactions and the offering of the Notes.

In the future, we will report our financial results at the Senior Notes Issuer level on a consolidated basis. The financial year of the Senior Notes Issuer ends on December 31 of each calendar year. The Senior Notes Issuer will account for the Acquisition using the acquisition method of accounting under IFRS, which will affect the comparability of the Senior Notes Issuer's future consolidated financial statements with the combined financial statements contained in this offering memorandum.

The following selected financial information should be read together with the sections "*Presentation of Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations,*" the combined financial statements and related notes contained in this offering memorandum and the additional financial information contained elsewhere in this offering memorandum.

Investors should regard the selected financial and business data below only as an introduction and should base their investment decision on a review of the offering memorandum in its entirety.

Selected Combined Income Statement

The following table shows selected combined income statement data of the HX Group for the financial years ended December 31, 2011, 2012 and 2013, for the three-month periods ended March 31, 2013 and 2014:

	Financial year ended December 31,			Three-month period ended March 31,	
	2011	**2012**	**2013**	**2013**	**2014**
			(in € million)		
		(audited)		**(unaudited)**	
Revenue	1,616.8	1,608.8	1,489.1	318.1	311.4
Cost of sales	1,216.8	1,195.1	1,100.1	236.9	232.5
Gross profit	**400.0**	**413.7**	**389.0**	**81.2**	**79.0**
Selling expenses	149.9	156.2	160.4	38.4	36.9
Research and development expenses	11.8	12.2	13.7	3.2	3.1
General administrative expenses	97.8	93.2	91.7	23.3	21.6
Other income(1)	39.2	35.3	35.5	7.7	11.0
Other expenses(2)	62.2	57.2	43.1	6.7	11.3
Share of profit or loss of equity-accounted investments	1.6	0.9	0.6	—	—
Earnings before interest and tax (EBIT)	**119.0**	**131.0**	**116.3**	**17.2**	**17.2**
Interest income	4.6	7.5	8.5	2.1	0.4
Interest expense	19.0	22.2	18.8	4.6	1.0
Profit before tax	**104.6**	**116.3**	**106.0**	**14.7**	**16.6**
Income taxes	37.4	37.1	32.9	4.6	4.8
Profit after tax	**67.3**	**79.2**	**73.1**	**10.2**	**11.8**
Combined profit for the period	**67.3**	**79.2**	**73.1**	**10.2**	**11.8**
of which attributable to non-controlling interests	0.7	2.2	0.4	0.0	—

(1) Other income comprises the line items other income and other financial income of the combined income statement of the HX Group.

(2) Other expenses comprise the line items other expenses and other financial expenses of the combined income statement of the HX Group.

Selected Combined Balance Sheet

The following table shows selected combined balance sheet data of the HX Group as of December 31, 2011, 2012 and 2013 and as of March 31, 2014:

	As of December 31,			As of March 31,
	2011	2012	2013	2014
		(in € million)		
		(audited)		(unaudited)
Assets				
Property, plant and equipment	272.9	254.2	244.9	253.6
Intangible assets[1]	168.4	167.9	164.6	163.5
Other non-current assets[2]	70.6	125.4	62.3	62.3
Non-current assets	**511.9**	**547.5**	**471.9**	**479.4**
Inventories	198.4	181.8	142.3	162.6
Trade receivables	426.7	415.3	414.2	411.7
Income tax receivables	4.1	8.1	4.7	4.5
Other current financial assets	338.4	342.0	271.7	56.9
Cash and cash equivalents	164.2	148.2	112.3	88.2
Assets held for sale	—	9.1	8.3	—
Current assets	**1,131.7**	**1,104.6**	**953.5**	**723.9**
Total assets	**1,643.5**	**1,652.1**	**1,425.3**	**1,203.3**
Equity and liabilities				
Equity	**372.7**	**392.7**	**504.5**	**515.6**
Non-current financial liabilities	71.7	252.9	26.0	39.3
Other non-current liabilities[3]	62.6	68.8	61.3	61.8
Non-current liabilities	**134.3**	**321.6**	**87.3**	**101.1**
Current financial liabilities	466.1	316.7	272.4	76.1
Trade payables	285.3	231.8	238.5	193.2
Other current liabilities[4]	385.1	389.4	322.7	317.2
Current liabilities	**1,136.5**	**937.8**	**833.6**	**586.5**
Total equity and liabilities	**1,643.5**	**1,652.1**	**1,425.3**	**1,203.3**

(1) Intangible assets comprise the line items goodwill and other intangible assets of the combined balance sheet of the HX Group.

(2) Other non-current assets comprise the line items equity-accounted investments, other non-current financial assets and deferred taxes of the combined balance sheet of the HX Group.

(3) Other non-current liabilities comprise the line items non-current provisions, non-current employee benefit obligations, other non-current liabilities and deferred taxes of the combined balance sheet of the HX Group.

(4) Other current liabilities comprise the line items current provisions, current employee benefit obligations, income tax liabilities and other current liabilities of the combined balance sheet of the HX Group.

Selected Combined Cash Flow Statement

The following table shows selected combined cash flow statement data of the HX Group for the financial years ended December 31, 2011, 2012 and 2013, for the three-month periods ended March 31, 2013 and 2014:

	Financial year ended December 31,			Three-month period ended March 31,	
	2011	2012	2013	2013	2014
			(in € million)		
		(audited)		(unaudited)	
Cash flow from operating activities	106.5	121.2	131.8	(12.0)	(39.1)
Cash flow from investing activities	(17.9)	(26.9)	(28.2)	(1.6)	(3.5)
Cash flow from financing activities	(67.6)	(108.4)	(120.3)	(11.4)	18.9
Effect of exchange rate changes on cash and cash equivalents	(7.5)	(3.7)	(13.8)	(1.2)	(0.7)
Change in unrestricted cash and cash equivalents	13.5	(17.8)	(30.4)	(26.2)	(24.4)
Unrestricted cash and cash equivalents at end of period	160.4	142.6	112.2	116.4	87.9
Restricted cash and cash equivalents	3.7	5.6	0.0	0.4	0.3
Cash and cash equivalents reported in the combined balance sheet	**164.2**	**148.2**	**112.3**	**116.8**	**88.2**

Segment Reporting

Our business comprises seven segments, which correspond to our seven operational business units Shell & Tube ("S&T"), Plate Heat Exchangers ("PHE"), Air Treatment ("AT"), AFC Compact Systems ("AFC-CS"), AFC Single Tube ("AFC-ST"), ACC/Heller ("ACCH") and Wet Cooling ("WET"). These business units were established during the year ended December 31, 2011 as part of the reorganization and separation of our business from the GEA Group. The segment reporting, which reflects the internal management and reporting structures, was established only for the financial years ended December 31, 2012 and 2013. As a result, no financial data by segment is available for the year ended December 31, 2011. Any reference in this offering memorandum to "business units" should be read as reference to our seven operational business units which have been established as business units in the year ended December 31, 2011, and which have been reported as segments in our combined financial statements for the financial years ended December 31, 2012 and 2013.

The following table shows selected other financial data by operational business unit of the HX Group (without administration and consolidation items) for the financial years ended December 31, 2012 and 2013, for the three-month periods ended March 31, 2013 and 2014:

	Financial year ended December 31,		**Three-month period ended March 31,**	
(in € million)	**2012**	**2013**	**2013**	**2014**
	(audited)		**(unaudited)**	
S&T				
Revenue	126.3	99.4	19.3	23.2
EBIT	18.1	10.5	1.8	3.1
Depreciation and amortization	3.1	2.9	0.7	0.7
Impairments and reversal of impairments	0.8	0.4	—	—
EBITDA[(1)]	22.0	13.8	2.4	3.8
PHE				
Revenue	240.4	271.7	59.0	47.5
EBIT	15.5	20.6	4.8	2.9
Depreciation and amortization	6.8	7.1	1.6	1.6
Impairments and reversal of impairments	—	0.0	—	—
EBITDA[(1)]	22.3	27.7	6.4	4.4
AT				
Revenue	302.2	299.9	65.0	62.1
EBIT	18.0	23.9	0.5	-0.0
Depreciation and amortization	7.2	5.9	1.5	1.4
Impairments and reversal of impairments	-2.9	-0.3	—	—
EBITDA[(1)]	22.3	29.5	2.0	1.4
AFC-CS				
Revenue	286.8	251.3	54.9	54.1
EBIT	35.1	28.3	4.6	5.0
Depreciation and amortization	7.6	8.6	2.0	2.2
Impairments and reversal of impairments	1.2	1.6	—	—
EBITDA[(1)]	43.9	38.6	6.6	7.3
AFC-ST				
Revenue	228.9	222.3	45.6	51.1
EBIT	12.3	20.1	2.8	3.6
Depreciation and amortization	6.2	6.2	1.5	1.3
Impairments and reversal of impairments	-0.0	—	—	—
EBITDA[(1)]	18.5	26.3	4.4	4.9
ACCH				
Revenue	316.3	245.8	52.2	53.1
EBIT	25.7	12.2	0.9	2.6
Depreciation and amortization	4.0	4.1	1.0	0.8
Impairments and reversal of impairments	0.0	—	—	—
EBITDA[(1)]	29.7	16.4	1.8	3.4
WET				
Revenue	107.9	98.7	22.1	20.3
EBIT	5.3	6.4	1.0	-1.8
Depreciation and amortization	2.4	1.8	0.4	0.4
Impairments and reversal of impairments	0.1	—	—	—
EBITDA[(1)]	7.8	8.2	1.4	-1.3

(1) This measure is not a defined financial indicator under IFRS. It should be noted in this context that not all companies calculate 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. See "*Presentation of Financial Information*."

SELECTED COMBINED FINANCIAL INFORMATION RELATING TO THE GUARANTORS

The combined financial information relating to the Guarantor and non-Guarantor subsidiaries is derived from the accounting records of the HX Group. This data has been prepared solely for the purpose of this offering memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed.

Unaudited Combined Guarantor/Non-Guarantor Income Statement for the Three-Month Period Ended March 31, 2014

	Three-month period ended March 31, 2014		
	Combined Guarantor Subsidiaries(1)	Combined Non-Guarantor Subsidiaries(1)	Consolidated
		(in € million) **(unaudited)**	
Revenue	258.0	131.6	311.4
Cost of sales	204.8	106.2	232.5
Gross profit	**53.3**	**25.4**	**79.0**
Selling expenses	26.2	10.6	36.9
Research and development expenses	2.2	0.9	3.1
General administrative expenses	15.5	7.3	21.6
Other income(2)	15.4	3.1	11.0
Other expenses(3)	14.5	3.8	11.3
Earnings before interest and tax (EBIT)	**10.2**	**6.0**	**17.2**
Interest income	1.1	0.4	0.4
Interest expense	1.7	0.4	1.0
Profit before tax	**9.6**	**5.9**	**16.6**
Income taxes	1.4	1.7	4.8
Profit after tax	**8.2**	**4.2**	**11.8**
Combined profit for the period	**8.2**	**4.2**	**11.8**

(1) The combined financial statements of the HX Group do not include the results of certain immaterial subsidiaries. The operating results of these non-consolidated subsidiaries, certain of which are Guarantors (Dobbelenberg SA/NV, RSZ Rott Sarstedt Zerspanung Gesellschaft mit beschränkter Haftung, GEA 2H Water Technologies Sp.z o.o.), are not included in the financial data relating to the Guarantor and non-Guarantor subsidiaries presented in this offering memorandum. The results of operations of the Guarantor and non-Guarantor subsidiaries have been calculated before intercompany eliminations.

(2) Other income comprises the line items other income and other financial income of the combined income statement of the HX Group.

(3) Other expenses comprise the line items other expenses and other financial expenses of the combined income statement of the HX Group.

Selected Guarantor/Non-Guarantor Balance Sheet for the for the Three-Month Period Ended March 31, 2014

	Three-month period ended March 31, 2014		
	Combined Guarantor Subsidiaries[1]	Combined Non-Guarantor Subsidiaries[1]	Consolidated
		(in € million) **(unaudited)**	
Assets			
Property, plant and equipment	153.6	99.9	253.6
Intangible assets[2]	105.6	26.2	163.5
Other non-current assets[3]	636.7	50.5	62.3
Non-current assets	**895.9**	**176.5**	**479.4**
Inventories	105.4	59.3	162.6
Trade receivables	229.5	270.4	411.7
Income tax receivables	2.1	2.9	4.5
Other current financial assets	356.8	82.8	56.9
Cash and cash equivalents	55.1	33.1	88.2
Current assets	**748.9**	**448.4**	**723.9**
Total assets	**1,644.7**	**624.9**	**1,203.3**
Equity and liabilities			
Equity	**877.0**	**249.4**	**515.6**
Non-current financial liabilities	142.3	9.4	39.3
Other non-current liabilities[4]	47.7	15.6	61.8
Non-current liabilities	**190.0**	**25.0**	**101.1**
Current financial liabilities	250.6	64.2	76.1
Trade payables	141.6	134.2	193.2
Other current liabilities[5]	185.6	152.2	317.2
Current liabilities	577.7	350.6	586.5
Total equity and liabilities	**1,644.7**	**624.9**	**1,203.3**

(1) The combined financial statements of the HX Group do not include the results of certain immaterial subsidiaries. The operating results of these non-consolidated subsidiaries, certain of which are Guarantors (Dobbelenberg SA/NV, RSZ Rott Sarstedt Zerspanung Gesellschaft mit beschränkter Haftung, GEA 2H Water Technologies Sp.z o.o.), are not included in the financial data relating to the Guarantor and non-Guarantor subsidiaries presented in this offering memorandum. The results of operations of the Guarantor and non-Guarantor subsidiaries have been calculated before intercompany eliminations.

(2) Intangible assets comprise the line items goodwill and other intangible assets of the combined balance sheet of the HX Group.

(3) Other non-current assets comprise the line items equity-accounted investments, other non-current financial assets and deferred taxes of the combined balance sheet of the HX Group.

(4) Other non-current liabilities comprise the line items non-current provisions, non-current employee benefit obligations, other non-current liabilities and deferred taxes of the combined balance sheet of the HX Group.

(5) Other current liabilities comprise the line items current provisions, current employee benefit obligations, income tax liabilities and other current liabilities of the combined balance sheet of the HX Group.

Unaudited Combined Guarantor/Non-Guarantor Income Statement for the Financial Year Ended December 31, 2013

	Financial year ended December 31, 2013		
	Combined Guarantor Subsidiaries[1]	Combined Non-Guarantor Subsidiaries[1]	Consolidated
		(in € million)	
	(unaudited)		(audited)
Revenue	1,107.5	701.5	1,489.1
Cost of sales	850.5	572.0	1,100.1
Gross profit	**257.1**	**129.5**	**389.0**
Selling expenses	111.3	48.7	160.4
Research and development expenses	9.6	4.1	13.7
General administrative expenses	61.5	30.9	91.7
Other income[2]	108.0	20.6	35.5
Other expenses[3]	43.5	31.2	43.1
Share of profit or loss of equity-accounted investments	0.6	0.0	0.6
Earnings before interest and tax (EBIT)	**139.8**	**35.2**	**116.3**
Interest income	4.2	5.1	8.5
Interest expense	15.3	4.2	18.8
Profit before tax	**128.7**	**36.0**	**106.0**
Income taxes	5.5	16.5	32.9
Profit after tax	**123.2**	**19.6**	**73.1**
Combined profit for the period	**123.2**	**19.6**	**73.1**
of which attributable to non-controlling interests	—	0.4	0.4

(1) The combined financial statements of the HX Group do not include the results of certain immaterial subsidiaries. The operating results of these non-consolidated subsidiaries, certain of which are Guarantors (Dobbelenberg SA/NV, RSZ Rott Sarstedt Zerspanung Gesellschaft mit beschränkter Haftung, GEA 2H Water Technologies Sp.z o.o.), are not included in the financial data relating to the Guarantor and non-Guarantor subsidiaries presented in this offering memorandum. The results of operations of the Guarantor and non-Guarantor subsidiaries have been calculated before intercompany eliminations.

(2) Other income comprises the line items other income and other financial income of the combined income statement of the HX Group.

(3) Other expenses comprise the line items other expenses and other financial expenses of the combined income statement of the HX Group.

Selected Guarantor/Non-Guarantor Balance Sheet for the Financial Year Ended December 31, 2013

	Financial year ended December 31, 2013		
	Combined Guarantor Subsidiaries(1)	Combined Non-Guarantor Subsidiaries(1)	Consolidated
		(in € million)	
	(unaudited)		(audited)
Assets			
Property, plant and equipment	145.9	103.0	244.9
Intangible assets(2)	105.2	27.1	164.6
Other non-current assets(3)	672.1	51.1	62.3
Non-current assets	**923.2**	**181.1**	**471.9**
Inventories	90.3	54.0	142.3
Trade receivables	217.3	283.2	414.2
Income tax receivables	2.6	2.6	4.7
Other current financial assets	205.6	111.2	271.7
Cash and cash equivalents	39.7	73.3	112.3
Assets held for sale	—	8.3	8.3
Current assets	**555.5**	**532.6**	**953.5**
Total assets	**1,478.7**	**713.7**	**1,425.3**
Equity and liabilities			
Equity	**872.3**	**251.5**	**504.5**
Non-current financial liabilities	16.4	10.2	26.0
Other non-current liabilities(4)	52.7	15.5	61.3
Non-current liabilities	**69.1**	**25.8**	**87.3**
Current financial liabilities	182.2	121.1	272.4
Trade payables	157.7	164.5	238.5
Other current liabilities(5)	197.3	150.8	322.7
Current liabilities	**537.3**	**436.4**	**833.6**
Total equity and liabilities	**1,478.7**	**713.7**	**1,425.3**

(1) The combined financial statements of the HX Group do not include the results of certain immaterial subsidiaries. The operating results of these non-consolidated subsidiaries, certain of which are Guarantors (Dobbelenberg SA/NV, RSZ Rott Sarstedt Zerspanung Gesellschaft mit beschränkter Haftung, GEA 2H Water Technologies Sp.z o.o.), are not included in the financial data relating to the Guarantor and non-Guarantor subsidiaries presented in this offering memorandum. The results of operations of the Guarantor and non-Guarantor subsidiaries have been calculated before intercompany eliminations.

(2) Intangible assets comprise the line items goodwill and other intangible assets of the combined balance sheet of the HX Group.

(3) Other non-current assets comprise the line items equity-accounted investments, other non-current financial assets and deferred taxes of the combined balance sheet of the HX Group.

(4) Other non-current liabilities comprise the line items non-current provisions, non-current employee benefit obligations, other non-current liabilities and deferred taxes of the combined balance sheet of the HX Group.

(5) Other current liabilities comprise the line items current provisions, current employee benefit obligations, income tax liabilities and other current liabilities of the combined balance sheet of the HX Group.

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

The financial information contained in the following discussion and analysis relates to the HX Group. Investors should read the following discussion and analysis of our financial condition and results of operations together with the audited combined financial statements, including the related notes to these combined financial statements, beginning on page F-2 of this offering memorandum, the additional financial information contained elsewhere in this offering memorandum and the section "Presentation of Financial Information." The audited combined financial statements were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Tersteegenstraße 19-31, 40474 Düsseldorf, Germany. The audit of the audited combined financial statements for each of the financial years ended December 31, 2011, 2012 and 2013 was conducted on the basis of the auditing standards of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer). The combined financial statements are based on data from the HX Group which, until December 31, 2013, was an entity reported as a segment in accordance with IFRS in the GEA Group's IFRS consolidated financial statements, which comprises GEA AG and its subsidiaries (for further information see also "—Presentation of Financial Information and Factors Affecting Comparability—Separation, Reorganization and the Transactions").

Some of the statements contained below, including those concerning future revenues, costs, capital expenditures, acquisitions and financial condition, contain forward-looking statements. As such statements involve inherent uncertainties, actual results may differ materially from the results expressed in or implied by such forward-looking statements. Investors can find a discussion of such uncertainties under "Disclosure Regarding Forward-Looking Statements." In addition, investing in the Notes involves undertaking certain risks. Investors can find a discussion of the risks accompanying an investment in the Notes under "Risk Factors."

Where financial information in the following tables is labeled "audited," this means that it was taken from the audited combined financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial information that was taken or derived from the unaudited combined condensed financial statements of the HX Group as of and for the three-month periods ended March 31, 2013 and 2014, the HX Group's accounting records or management reporting system and not included in its audited combined financial statements. Unless stated otherwise, all the financial data presented in the text and tables in this section of the offering memorandum is shown in euro million (€ million) and has been rounded using standard commercial rounding rules. Rounded figures shown in the tables may not add up exactly to the respective totals given in such tables or in other tables included in this offering memorandum and may also differ from those figures which are mentioned elsewhere in this offering memorandum and have not been rounded.

The results of operations for interim periods or prior years are not necessarily indicative of the results to be expected for the full year or any future period. Prospective investors should bear in mind that the performance indicators and ratios that we report herein, such as EBITDA, Adjusted EBITDA and Adjusted EBITDA margin (each as defined in this offering memorandum) are not financial measures defined in accordance with IFRS and, as such, may be calculated by other companies using different methodologies and having different results. Therefore, these performance indicators and ratios are not directly comparable to similar figures and ratios reported by other companies. See "Presentation of Financial Information."

Overview

We are a leading global manufacturer of heat exchangers for industrial applications. We believe we are among the leading manufacturers in many of our core products. Our six main end-markets are power, climate and environment, oil and gas, food and beverages, chemicals and marine. In those markets we service a broad, diversified and long-standing customer base in more than 130 countries. We consider ourselves well-positioned to capture growth opportunities across global growth regions by leveraging our leading market positions, broad product portfolio, our global manufacturing footprint and dense sales/service network. We are headquartered in Bochum, Germany. In the twelve months ended March 31, 2014, we generated €1,482.4 million in revenue and €154.4 million of Adjusted EBITDA (as defined herein).

We operate through seven operational business units, each with dedicated management teams responsible for their respective markets and applications. Each of the business units focuses on a distinct technology and product portfolio. The business units are Shell & Tube ("S&T"), Plate Heat Exchangers ("PHE"), Air Treatment ("AT"), AFC Compact Systems ("AFC-CS"), AFC Single Tube ("AFC-ST"), ACC/Heller ("ACCH") and Wet Cooling ("WET"). Each of our business units enjoys strong positions in its respective markets and applications.

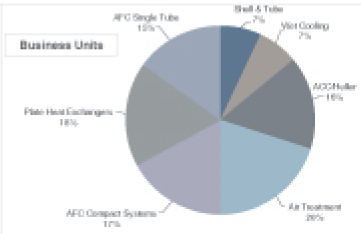
Through our seven operational business units we offer an array of various high-quality products from air-conditioning systems for non-residential use to large and highly engineered industrial heat exchanger applications, such as cooling equipment for power plants. While working closely with our customers, we develop customized solutions for numerous tailored applications. Heat exchangers are essential in many industrial processes as they are important in maintaining optimal temperatures for industrial processes and, for example, prevent machines from overheating, thus avoiding significant costly downtimes of our customers' production processes. The cost of our process-critical products is typically only a small portion of the total cost of customers' machinery and equipment. We are involved in all aspects of the lifecycle of heat exchangers from project and component design, manufacturing, sales and delivery to providing engineering and post-sale services.

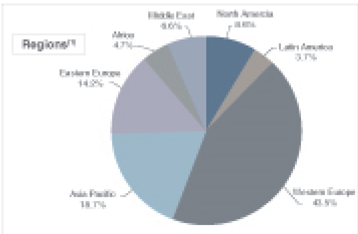
We derived 67.9% of our revenue from the sale of components and service agreements (our component business) and 32.1% from construction contracts (our project business) in the year ended December 31, 2013. The component business, where typical order sizes can range from €10 to €500,000, offers a large and diversified installed base, recurring revenues, flexibility in production, quicker turnover and higher relative profitability. Certain areas of our project business allow us to expand into growth markets and increase our installed base for future service. With respect to our large projects, the order sizes range typically between €10 million and €50 million. Certain areas of our project business also benefit from lower working capital requirements, as we typically require prepayments from our customers. Our service activities include traditional recurring service but also refurbishment and reconditioning of cooling towers and other applications.

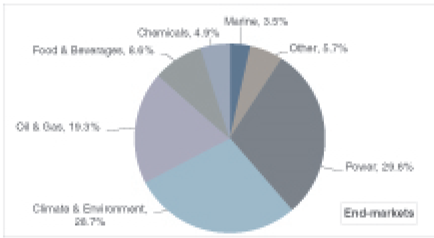
We distribute our products throughout our markets under a number of different product brands, many of which have long-established heritage and are well-known to our customers. Those brands include, among others: Renzmann, Ecoflex, Denco, Küba, Batignolles, EGI and Polacel. The GEA brand is generally of lesser importance to our customers in many regions, which we believe will facilitate a smoother separation from the GEA Group (for more information see "*Business—Intellectual Property—Trademarks*").

We are present on five continents with sales offices and manufacturing sites except for Australia, where we operate through sales agents. We operate 50 manufacturing sites (including production and service and assembly sites, but excluding joint ventures) and 232 sales offices (including sales partners) across the globe.

The following charts illustrate the breakdown of our sales in the year ended December 31, 2013 by business unit, by region and by end-customer markets (on the basis of combined financial statements):







(1) Please refer to note 1 to the second table under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Comparison of the Financial Years Ended December 31, 2012 and 2013—Revenue by region.*"

Trends

Growing population, urbanization and increasingly restrictive environmental regulations

A number of global trends affect the dynamics of the heat exchanger industry. Population growth, especially in emerging markets, drives demand in several key end-industries for heat exchangers; for example, through rising demand for more sophisticated energy and oil and gas derivatives. Urbanization, industrialization and rising wealth drive investments in power, construction and infrastructure as well as demand for heating, ventilation and air conditioning market ("HVAC") applications and frozen/chilled food. In particular, densely-populated regions such as parts of China, India and Brazil have exhibited substantial growth in the manufacturing and process industries, most of which create demand for heat exchangers. In addition, a combination of cost and regulatory factors has created a global drive towards energy efficiency, which supports replacement demand for the existing installed base: Rising energy costs and ecological awareness increase demand for energy-efficient heat exchangers to replace less energy-efficient systems and reduce electricity costs. Furthermore, the requirement by end-customers for heat exchanger manufacturers to develop products that reduce costs and limit environmental emissions is driving technological improvements.

Furthermore, we expect regulations to open up new markets. For example, mono-nitrogen oxides ("NOx") emission limits for off-road diesel engines in many jurisdictions, including standards enacted by the U.S. Environmental Protection Agency ("EPA") and various U.S. state agencies in an effort to reduce the impact of certain emissions on the environment and public health, the planned Tier III regulations of the International Marine Organization ("IMO") on NOx emissions, the more stringent proposed EPA regulations on ash handling and disposal in the United States and more stringent regulations on ozone depleting substances in the area of refrigeration and air conditioning drive the demand for new products to comply with the regulations.

Specific industry trends

Heat exchangers are used in processes across a diverse range of industries. The major end-markets for HX are power, climate and environment, oil and gas, food and beverages, chemicals and the marine industry. The following is a description of key factors and trends affecting demand within each end-market:

Power: Generally, demand for electricity benefits from trends such as population growth, urbanization, industrialization and increasing wealth and output. As the power market is a multiregional market the outlook differs by region and generation fuel type creating numerous growth opportunities and market niches. The power industry is making investments in underlying capacity additions in emerging markets (mostly in the Asia Pacific region) and investments in capacity replacements in mature markets like Europe and North America. In China, the ongoing expansion of coal-fired generating capacities is shifting to the water-scarce northern regions, where dry cooling systems are the first technological choice. Connecting these remote northern power plants to the energy-consuming southern and coastal areas creates additional requirements for transmission and distribution equipment. In contrast, we expect stronger emphasis on replacement and maintenance of existing coal and gas-fired power plants in North America as well as the associated transmission and distribution networks in the next years. With the rapid growth of the U.S. shale gas sector, new capacity building activities in the field of gas-fired power generation are expected. Across regions, capacity additions in renewable power generation remain an important area of growth, with niches including biomass, geothermal or concentrated solar energy. With respect to nuclear energy (to which we currently have only limited exposure, including high-end services such as the refurbishment of circular and hybrid cooling towers and the supply of Heller units for a nuclear power plant in Russia), 435 nuclear power reactors were in operation as of March 2014 globally, while an additional 72 reactors were under construction as of the same time according to the GIA Report. However, many countries and localities currently have, or are considering, mandates that require specified percentages of power to be generated from renewable sources. Additionally, some countries are considering limits on both the development of new nuclear power plants and on the continued operation of existing nuclear power plants following high profile environmental incidents. Furthermore, the continuing political discussion relating to the future energy mix (among other jurisdictions, in Germany) could lead to delayed investment decisions or to reduced investments, in particular in the energy sector.

Demand for heat exchangers depends not only on the underlying market growth, but also on the heat exchanger intensity per application. We expect heat exchanger intensity to grow across all fuel types (however, at decreasing rates) as well as transmission and distribution, primarily driven by the requirement for higher efficiency. For example, in gas-fired power, there is a trend towards the use of combined cycle power plants, which require more heat exchangers, such as heat recovery steam generators. While renewable energy sources without a steam cycle are characterized by a relatively low heat exchanger intensity, many of these applications, such as wind turbines and photovoltaic applications, are dependent on weather conditions so that conventional back-up capacity remains necessary to ensure stable electricity supplies.

Climate and environment: The climate and environment industry is mainly related to the HVAC market, which is driven by the trends of more "green buildings" and more self-sustainability. The HVAC market is partly linked to the underlying construction market, which has shown considerable volatility in recent years in Western Europe and Americas. Key market drivers include, in our view, increasing wealth in emerging markets, more stringent regulations to support growth especially for energy-efficient buildings and an increased demand for specialized HVAC applications, such as precision air conditioning in data centers, which have a higher share of heat exchanger use. We expect heat exchanger intensity per application for this industry to exhibit moderate growth across our major products, driven by energy efficiency concerns and the EU Energy Efficiency Directive as well as increased demand for more technically sophisticated solutions.

Oil and gas: Oil and gas demand benefits from trends such as population growth, industrialization and increasing wealth and output and is increasingly driven by emerging countries. To satisfy growing demand, new oil and gas production sites need to be developed, increasingly based offshore by expanding the share of technologically challenging deep water drilling. To provide the necessary distribution, we expect that infrastructure pipeline networks will experience further growth, especially in emerging markets. Refining investments will benefit from replacements and upgrades of existing plants to meet higher fuel quality and production flexibility needs. In addition, we see further growth opportunities in connection with the expansion of natural gas, liquefaction and regasification capacities, in particular in Asia Pacific and North America as shale gas reserves are said to transform the United States into a gas exporting country. According to the GIA Report, by 2035, shale gas is projected to account for over 40% of total U.S. production of gas, a development that would require significant investments in infrastructure to process and transport natural gas. We expect heat exchanger intensity per application to increase, driven by a number of factors. For example, an increased share of offshore oil and gas exploration and production will require additional heat exchangers, which are smaller and lighter than those used in onshore production and have special anti-corrosion characteristics, given the more corrosive environment, more limited available space and complex mounting and transportation considerations. In addition, because of the increasing flexibility required from refineries to produce different fuel types, such as jet fuel, petroleum, diesel, methanol, ethanol, ethylene and polypropylene, there is an increasing requirement for heat exchangers to cover wider heat and pressure operating ranges.

Food and beverages: We expect that the food processing and cold storage warehousing markets benefit from macro-economic and demographic trends such as population growth, increased standards of living and urbanization, especially in emerging markets, and shifting consumption patterns towards processed food (chilled/frozen food and convenience food) worldwide. In emerging markets, recent growth in food consumption has been particularly strong, additionally supported by increasing focus on stricter adherence to the cold chain. Heat exchanger intensity per application tends to remain stable over time for food processing; therefore growth in this segment largely depends on underlying market growth. On the other hand, heat exchanger intensity exhibits moderate growth within cold storage warehousing, driven by increasing demand for more energy efficient solutions and environmental legislation such as more stringent regulations regarding the emission of fluorinated gases. Within food retail, demand is driven by urbanization in emerging markets, with additional growth potential from increasing heat exchanger intensity as a result of demand for energy efficient solutions.

Chemicals: Heat exchangers are used in the chemical industry for several applications, including, among others, the cooling and heating of acids and caustic solutions, cooling of extremely viscous products, condensation and tempering of solvents, cooling of water circuits, steam and multiple material mixtures and condensation of exhaust vapors. Due to their high efficiency and operational safety impacts, heat exchangers are a critical part of chemical production processes for this industry. Heat exchanger demand in the chemical industry is mainly driven by the general end-market demand, especially in emerging countries, U.S. shale gas sector growth and the increasing demand for energy efficiency.

Marine: Heat exchangers are required across the marine industry, and are used to improve performance and economy of different ship types, with two main applications: in the engine room and for passenger air-conditioning. Within the engine room, which is the larger application in this industry, heat exchangers are used for the cooling/heating of the central engine, auxiliaries, fuel and lubricants, charge air and exhaust gas recirculation. The marine industry is characterized by a volatile investments pattern, its high dependency on seaborne trade and freight capacities and a regional focus on Asia. The shipbuilding industry was very significantly affected by the global economic downturn since mid-2008. With respect to engine rooms, underlying growth in large marine engine production is largely correlated with large diesel engines for offshore vessels, while heat exchanger intensity is expected to be slightly reduced, since increasingly energy-efficient and fuel-saving engines require less cooling. On the other hand, due to IMO regulations limiting emissions of NOx that are currently expected to enter into force in 2016, there is an increasing requirement for additional exhaust gas recirculation ("EGR") coolers. Heat exchanger intensity for passenger air-conditioning is expected to remain stable.

Selected Key Factors Affecting Our Results of Operations and Financial Condition

Factors affecting our results of operations and financial condition include the following:

Global economic conditions and economic and political condition in certain regions and countries

Demand for heat exchangers is affected by general economic conditions. Many of our key end-markets are industries that are cyclical in nature, such as oil and gas, chemicals and HVAC (within the climate and environment end-market), which is strongly influenced by new non-residential construction activity. Even in less cyclical industries such as food and beverages, our business depends on the willingness of our end customers to invest. In challenging economic times or times of a political crisis, customers tend to reduce or postpone investments into new equipment. For example, in 2012 and 2013 we experienced delays for projects in the Middle East due to the political instability in the region, and our large Medupi project in South Africa was delayed due to strikes. While heat exchangers typically only represent a small portion of the total cost of customers' machinery and equipment, our projects business in particular, which represented approximately one-third of our revenue in 2013, is typically part of a larger installation that requires significant capital spending. Our customers' willingness to commit to such a project depends on their expectations for the profitability of the project, which in turn will be influenced by general economic conditions. Our components and services business, which represented approximately two-thirds of our sales in 2013, on the other hand, is less sensitive to general economic conditions, as it represents in non-discretionary maintenance spending that is necessary to maintain the functionality and efficiency of our customers' industrial facilities.

Profitability of our component business

Our component business, which is mainly served by our AFC-CS, AT, S&T and PHE business units, generated approximately two-thirds of our revenue in the year ended December 31, 2013 (including revenue generated from our service business). Typical order sizes in our component business range from €10 to €500,000. The component business offers a large and diversified installed base, recurring revenues, flexibility in production, quick turnover and higher relative profitability, and accounts for approximately 70% of our EBITDA compared to approximately 30% of EBITDA which is attributable to our project business. Our products are specifically configured and/or engineered to customer requirements, which require skills and experience, although they are not inherently complex. Research and Development intensity for our component business is low.

The component business carries higher working capital requirements and has greater exposure to raw material costs, such as the PHE business unit's exposure to the variable costs and longer lead times for titanium or special alloys. The component business accounts for approximately 80% of our trade working capital whereas our project business accounts for approximately 20% of our trade working capital. The major contributors of our component working capital are inventory and trade receivables, partially financed by trade payables and advances received from the customers.

Impact of our project business

Approximately one-third of our revenue in 2013 derives from our project business, which includes construction and conversion projects and upgrades of existing facilities. Our AFC-ST, ACCH and WET business units predominantly focus on our project business. For our large projects, the order sizes range typically between €10 million and €50 million. See "*Business—Material Contracts—Contractual Relationships within the Project Business.*"

Profit margins realized on certain projects and long-term contracts may vary from original estimates as a result of changes in costs and productivity during the execution of the projects. Even though the project business is less predictable, working capital requirements are generally lower than for the component business, as we also require prepayments from customers in our project business. We recognize revenue from certain of our project contracts using the percentage-of-completion method of accounting whereby revenue and expenses, and thereby profit, in a given period are determined based on our estimate of the project status and costs remaining to complete the project. Estimates of total revenue and cost at completion are subject to many variables, including the length of time to complete a contract, labor costs and material costs. Delays may negatively impact these estimates and our revenue and earnings results for affected periods.

The projects in which we participate can be split into several different phases of their life cycle: the bidding and development phase, the design and engineering and the construction phase, and the delivery and commissioning phase. In the bidding phase, we incur costs which are not initially matched by any revenue and without there being any guarantee that we will be awarded the project. In the development and design and engineering phases, we typically benefit from advance payments from our customers. As the project proceeds, the cash inflows are reduced and we pay our suppliers.

Demand for service offerings

We support our component and project businesses with our service offerings in all business units, which include assembly, maintenance, repair, sales of spare bundles and parts as well as specific service solutions offered by our WET and AFC-ST business units. Currently, our service business varies in each business unit and each business unit pursues its own strategy and approach with respect to its service offering. Service customers tend to be customers of our products as well as third-party products, whereby each business units' installed base acts as an important driver.

With installed products in many regions of our global market, services contribute importantly to our revenue. In the year ended December 31, 2013 our revenue for services amounted to €178.2 million (12.0% of total revenue) compared to €202.8 million in the year ended December 31, 2012 (12.6% of total revenue). In our WET business unit, service offerings cover a broad range of activities from component replacement to entire Cooling Tower refurbishment projects. These offerings include overhauls, periodic inspections, noise reduction, performance enhancements, replacement and upgrade of cooling equipment and, health and safety improvements. Services revenue for our WET business unit was €43.6 million in the year ended December 31, 2013, which was 43.5% of total revenue for the business unit. Service in our AFC-ST business unit mainly refers to standard maintenance services for both our projects and component businesses' installed bases, as well as advanced service solutions such as refurbishments, upgrade projects and performance enhancements for both GEA installed and third-parties installed systems. Services revenue in our AFC-ST business unit was €30.6 million in the financial year 2013, which was 13.7% of total revenue for the business unit.

Costs for commodities, energy and intermediate products

We require various metals such as aluminum, copper, carbon and stainless steel, and titanium. The market price and availability of these products that we use for our operations can fluctuate sharply depending on the market situation. For example, there are currently longer lead times relating to the supply of titanium, which primarily affects our component business, particularly our PHE business unit, and there are a limited number of possible suppliers of such metal. In other cases and in certain regions, including North America, we currently source certain raw materials for particular businesses from a single source or a limited number of suppliers. Overall, the prices of raw materials, in particular metals such as copper, reached historically high levels in 2008. Following a decline in prices during the economic crisis, the economic rebound was accompanied by a further sharp rise in the prices for a number of raw materials as of the first quarter of 2011. Although prices have since then generally stabilized, further price increases for raw materials may occur in the future, resulting in higher manufacturing costs for end products. This likewise applies to the energy required in particular for production. Currently, we do not use commodity derivatives as hedging instruments against price fluctuations of raw materials but we have entered into long-term supply agreements with various suppliers in order to reduce commodity price risk. Price increases might also occur at the time of purchasing the necessary raw materials for a project as compared to the time when we negotiated the contract for the project. Lead times in our component business, however, tend to be shorter, which reduces our exposure to price increases between order intake and completion. The possibilities to pass on these higher input prices to an end customer vary from time to time and among different markets depending on the competition.

We purchase a variety of intermediate products produced by other manufacturers that are integrated into the final products we provide to our end-customers. These include finished mechanical components such as fans and chiller units. Any price increases by our suppliers result in higher costs of materials.

Reduction of costs through restructuring program, operational improvements and shift to lower-cost countries

Between 2010 and 2013 we successfully developed, implemented and executed various restructuring and improvement measures to reduce fixed costs and increase operational efficiency. The focus of these measures was mainly on the transfer of production to lower cost locations and headcount reductions in the manufacturing area.

As part of these measures, we closed various plants in Western Europe, such as in Germany, France and Austria and plants in North America, Mexico and Turkey. The production capacity of closed plants has either been replaced by larger factories in the same region or by factories located in lower-cost countries, such as the Czech Republic, Poland or China. In addition, we downsized plants in Brazil, Spain, South Africa, the United States and the United Kingdom. As part of the implementation of these measures we reduced the number of our full-time equivalent employees from 7,679 as of December 31, 2011 to 7,201 as of December 31, 2013. Furthermore, our shift to lower-cost countries has reduced our labor costs. Ongoing restructuring measures aim to further improve our cost position. Costs for past and ongoing restructuring measures were accrued in the 2011 to 2013 financial years. Total EBITDA relevant restructuring expenses amounted to €2.7 million in the year ended December 31, 2013 compared to €5.7 million in the year ended December 31, 2012 and €11.4 million in the year ended December 31, 2011, comprising severance payments, reversals of impairment losses, impairments on current assets and other restructuring costs. Restructuring expenses in 2012 were mainly due to the closure of two production sites in Turkey and Brazil. In 2013, restructuring expenses related mainly to capacity adjustments in Brazil and Germany.

Ability to increase prices and pass on increased cost

The primary factor affecting our margin, in addition to the structure of our cost base, the absolute level of cost and our ability to manage our operating cost, are the prices that we can charge to our customers for our products. Our profitability is also affected by our ability to offset increasing operating costs (such as from inflation) through improvements in our production efficiency as well as our ability to pass at least some of such cost increases on to our customers. Based on our high-quality portfolio of technologically advanced products and customer-specific application services, our sales force focusing on construction projects and customer-specific solutions, and the strength of our brands, we believe that we will continue to have the bargaining power to negotiate “cost-pass-through” arrangements with certain of our customers. However, our ability to pass on the cost increases will also largely depend on market conditions and we may not be able to raise product prices without delay, if at all, and we may not be able to pass on the entire cost increase to our customers. Any inability to pass on increases in the costs of raw materials to our customers would have a negative effect on our profitability and cash flows.

Exposure to foreign exchange rate fluctuation

We operate globally, entering into contracts denominated in various different currencies. In particular, as a result of our international operations, our cash flows are denominated (apart from euro) mainly in U.S. dollars and Chinese renminbi. The cash inflows, in particular those in U.S. dollars, expose us to exchange rate fluctuations (referred to as “translation risk”). Due to the growing cost and sales base in China, portion of our revenues and costs denominated in the Chinese renminbi is expected to increase. We hedge foreign-currency items as they arise in order to fix prices on the basis of hedging rates, and limit some currency risk, mainly from sales and procurement transactions. However, hedging may not eliminate all risks. Despite the hedging requirement, changes in exchange rates affect the translation into euro of revenues, costs, assets and liabilities of subsidiaries that use a currency other than the euro as their functional currency. A depreciation of other currencies against the euro will mean that, despite constant sales volumes and nominally constant prices, we will, after translation into euro, generate lower revenues and profits for purposes of our consolidated or combined financial statements. In addition, exchange rate fluctuations expose us to translation risks, as all non-euro financial results of Group companies must be translated into euro when preparing our consolidated financial statements. These exchange rate fluctuations have already had a negative impact in 2014, which is expected to continue.

Shared services on the HX Group level

We are largely independent from GEA Group: however, some functional interdependencies with GEA Group will remain, at least for a transitional period. Certain services will for some time continue to be provided by GEA Group under service agreements with GEA Group at costs substantially similar to historical costs. We currently expect to enter into transitional arrangements in respect of GEA trademarks. Pursuant to the Acquisition Agreement, we are entitled to continue the use of certain trademarks after the consummation of the Acquisition for a transitional period of nine months after completion of the Acquisition and can enter into licensing agreements for certain other trademarks for a period of 18 to 30 months.

Historically, we had several functional interdependencies with GEA Group ranging from traditional corporate services, shared services locations as well as services that have been shared between the GEA Group segments. Intercompany charges for these services amounted to €18.4 million in the year ended December 31, 2013, €20.8 million in the year ended December 31, 2012 and €20.6 million in the year ended December 31, 2011. We have already reached agreements regarding many of our interdependencies with GEA Group, either through service agreements or local transfers in case of shared locations. Intersegment sales with GEA Group companies are expected to continue at arm’s length prices.

Innovation and investments

Maintaining our position in technological innovation is essential for the continuing acceptance of our products by our customers and requires considerable research, development and engineering activity, which involves ongoing investment and expenditure. Although the pace of new innovations in the heat exchanger industry is slower than in other high-tech sectors, we invest a significant amount in developing new products and materials. Our total research and development expenses in the year ended December 31, 2013 were €13.7 million compared to €12.2 million in the year ended December 31, 2012 and €11.8 million in the year ended December 31, 2011. In the three years ended December 31, 2013, our costs relating to research and development engineering were mainly driven by personnel expenses. We employed more than 720 employees in engineering as of March 31, 2014. In addition we employed 126 employees in research and development departments. A portion of our development costs are customer-related and are attributed to engineering costs.

Our capital expenditures amounted to €3.9 million in the three-month period ended March 31, 2014, €30.8 million in the year ended December 31, 2013, €36.0 million in the year ended December 31, 2012 and €30.4 million in the year ended December 31, 2011 (capital expenditures are defined as capital payments to acquire property, plant and equipment, and intangible assets (audited)). In 2011 and 2012 we mainly invested in the construction of new facilities and production equipment for new product lines. Our ratio of capital expenditures to revenue during the three years ended December 31, 2013 was around 2%, which we consider an appropriate level to support our revenue growth.

Presentation of Financial Information and Factors Affecting Comparability

Separation, Reorganization and the Transactions

Prior to the completion of the Acquisition, the HX Group is part of the GEA Group. Starting January 1, 2010, the GEA Group bundled all of its heat exchanger activities in one segment which has since been operated, managed and reported as the HX business. Following a strategic portfolio review in 2012, GEA AG decided to sell the HX Group. In order to facilitate the legal separation of the HX Group from GEA AG and the other GEA segments, the GEA Group pursued a reorganization process. The corporate structure of the HX Group prior to the Transaction was largely established as per January 1, 2014. As of such date, HX Holding and HX AT became the two top-level holding companies of the HX Group. Since January 1, 2014, the operations of the HX Group's business are legally separated from the non-HX business of GEA Group; the GEA Group companies no longer operate any material parts of the HX business and no longer hold any material assets pertaining to the HX business. Likewise, the HX Group companies no longer operate any material business pertaining to the other segments of the GEA Group and no longer hold any material assets pertaining to such segments. For further information regarding the restructuring, see "*Business—Group Structure*." As a result of the separation, our tax burden may increase and our accounting and standalone costs may increase once our service agreements with GEA have been terminated. In addition, at the Completion Date we will be highly leveraged as a result of the financing in connection with the Acquisition, with a significant increase in interest expense.

After the signing date the Sellers shall procure, according to the Acquisition Agreement, that the relevant members of the Sellers' group and the Target group will terminate all trademark license agreements between members of the Sellers' group on the one side and members of the Target group on the other side on the use of, *inter alia*, trademarks containing the designation "GEA." Such termination shall include any sublicenses granted among members of the Group under such license agreements. However, we will be permitted to use certain trademarks for a transitional period of nine months and will have the option of entering into license agreements for certain trademarks for a period of 18 to 30 months.

The Acquisition will be accounted for using the purchase method of accounting. Under IFRS 3 "Business Combinations," the cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred and the equity interests issued by the acquirer, including the fair value of any asset or liability incurred and the equity interests issued by the acquirer, including the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair market values at the acquisition date. The excess of the consideration transferred over the fair value if the acquirer's share of the identifiable net assets acquired is recorded as goodwill. Since the Acquisition has not been consummated as of the date of this offering memorandum, we have not identified the fair value of assets acquired and liabilities to be assumed at the date of the Acquisition. In accordance with IFRS, we have up to 12 months from the Completion Date to finalize the allocation of the purchase price. We expect that the carrying value for certain deferred tax assets on our balance sheet will be reduced upon consummation of the Acquisition as a result of these limitations. In addition, the application of purchase accounting could result in different carrying values for existing assets and assets we may add to our balance sheet, which may include intangible assets such as goodwill, and different amortization and depreciation expenses, which could be significant.

Presentation of the Combined Financial Statements

Until December 31, 2013, the HX Group was an entity reported as a segment in accordance with IFRS in GEA Group's IFRS consolidated financial statements, which comprises GEA AG and its subsidiaries. Since January 1, 2014, the GEA Group reports the HX Group as discontinued business. With a view to the potential sale of the HX Group and the aim of reflecting the structure of the HX Group in the historical financial data, the HX Group has prepared combined financial statements as of and for the financial years ended December 31, 2011, 2012 and 2013 and combined condensed financial statements as of and for the three-month periods ended March 31, 2013 and 2014, in each case in accordance with IFRS and related interpretations of the IASB.

For purposes of clarity, various items in the combined balance sheets and combined income statements have been aggregated and are explained accordingly in the notes to the combined financial statements. Assets and liabilities are classified into current and non-current items. The combined income statements are prepared using the cost of sales method. The combined cash flow statements are prepared using the indirect method for cash flow from operating activities and the direct method for cash flow from investing and financing activities.

The combined financial statements which are included in this offering memorandum, beginning on page F-3, are presented in €. All amounts are presented in thousands of euro (€ thousand) and have been rounded using standard commercial rounding rules.

The combined financial statements were prepared on a carve-out basis derived from the segment reporting in the consolidated financial statements of GEA AG. The aim was to consider the net assets, financial position, and results of operations, and cash flow of the HX Group on a historical stand-alone basis. The combined financial statements of the HX Group thus reflect the assets, liabilities, income and expenses, and inflows and outflows—including intercompany allocations—that are directly attributable to the HX Group both on a historical basis and from an economic perspective based on the group accounting system of GEA AG.

Please refer to the combined financial statements included in this offering memorandum for further information about the presentation of the combined financial statements.

Segment Reporting

Our business comprises seven segments, which correspond to our seven operational business units Shell & Tube (S&T), Plate Heat Exchangers (PHE), Air Treatment (AT), AFC Compact Systems (AFC-CS), AFC Single Tube (AFC-ST), ACC/Heller (ACCH) and Wet Cooling (WET). These business units were established during the year ended December 31, 2010 as part of the reorganization and separation of our business from the GEA Group. The segment reporting, which reflects the internal management and reporting structures, was fully established only for the financial years ended December 31, 2012 and 2013. As a result, no cash flow statement by segment is available for the year ended December 31, 2011. The balance sheet and profit and loss statement are available on a business unit level for the financial year ended December 31, 2011. Any reference in this offering memorandum to "business units" should be read as reference to our seven operational business units which have been established as business units in the financial year ended December 31, 2010, and which have been reported as segments in our combined financial statements for the financial years ended December 31, 2012 and 2013.

Scope of the Combined Financial Statements

The HX Group's combined financial statements include all significant companies in which the HX Group directly or indirectly holds the majority of voting rights or is otherwise able to directly or indirectly control the financial and operating policy decisions. Companies are consolidated from the date on which the HX Group obtains the ability to control them. They are deconsolidated from the date on which control is lost. The number of companies included in the scope amounted to 75, 70 and 67 as of December 31, 2011, 2012 and 2013, respectively. 18 companies (2011: 24; 2012: 23) were not consolidated since their effect on the net assets, financial position, and results of operations reported in the combined financial statements is not material, even on an aggregated basis. Their consolidated revenue amounts to 0.2% (2011: 0.4%, 2012: 1.0%) of the aggregate revenue, while their earnings account for 0.3% (2011: 0.3%, 2012: 0.6%) of recognized earnings before tax, and their equity for 0.4% (2011: 1.2%, 2012: 0.7%) of combined equity. The companies are measured at cost and recognized as non-current other financial assets, as their fair value cannot be determined with sufficient certainty.

For a list of the companies included in, and covered by, the combined financial statements please refer to the combined financial statements included in this offering memorandum.

Investments in material companies over which significant influence can be exercised are accounted for using the equity method at the Group's share of adjusted equity. They were initially recognized at cost. Their share of the profit or loss is recognized and presented separately in the combined income statement. The share of income and expenses recognized outside profit or loss is reported directly in other comprehensive income. If the HX Group's share of a loss exceeds the carrying amount of the net investment in the company, no further losses are recognized. Any goodwill arising on acquisition is included in the carrying amount of the investment. The Group exercised the option to account for interests in joint ventures using the equity method. As of March 31, 2014, five investments in joint ventures were accounted for in the combined financial statements, which number remained unchanged (2011: five; 2012: five, 2013: five).

Changes in Accounting Policies

Changes in accounting policies during the fiscal years ended December 31, 2011, 2012 and 2013 and the three-month period ended March 31, 2014 did not have a material effect on the HX Group's net assets, financial position and results of operation. IAS 19R has been consistently applied for all the periods presented in this offering memorandum. The initial application of the revised IAS 1 in the combined financial statements for fiscal year 2013 affected the presentation in the statement of comprehensive income. The initial application of further new accounting pronouncements resulted in additional disclosures in the notes to the combined financial statements. For more information on changes in our accounting policies, please refer to notes 1.4 and 1.5 of our combined financial statements for the year ended December 31, 2013 and note 1.3 of our combined financial statements for the three months ended March 31, 2014 included elsewhere in this offering memorandum.

Changes in Presentation

Beside the carve-out pre-structuring measures no further presentation changes have been done. Pre-structuring includes *e.g.*, the exclusion of former HX Group companies which remain with the GEA Group and have been de-consolidated during the financial year ended December 31, 2013.

Description of Key Combined Income Statement Line Items

Revenue

Our revenue is generated from construction contracts in our projects business, from the sale of goods and rendering services. Revenue from the sale of goods is recognized when the risks and rewards inherent in ownership of the goods sold are transferred to the customer. This normally occurs when the goods are handed over to the customer. Revenue from services is recognized when the service is rendered. Revenue is measured at the fair value of the consideration received or to be received. Customer bonuses, discounts, or rebates reduce the amount of revenue recognized.

Revenue from construction contracts is generally recognized using the percentage-of-completion method ("PoC"), under which revenue is recognized in accordance with the stage of completion. The stage of completion is determined using the ratio of contract costs incurred as of the reporting date to the total estimated contract costs as of the reporting date ("cost-to-cost method").

Contract costs include direct costs plus materials and construction overheads, depreciation, production-related administrative costs, and such other costs that are specifically chargeable to the customer under the terms of the contract. Where a construction contract is settled over a long period and where the contract is largely financed by us, contract costs also include directly attributable borrowing costs. Conversely, income from the investment of advance payments received is offset against contract costs where this has a material influence on the contract margin. Adjustments are made for amendments to contracts, claims, and premiums insofar as these will probably result in revenue that is capable of being reliably estimated.

In line with the percentage-of-completion method, construction contracts are measured as the contract costs incurred as of the reporting date plus the profit attributable to the proportion of work completed. Revenue recognized is reported under trade receivables, less progress billings. If the outcome of a construction contract cannot be reliably estimated, the probable recoverable revenue is recognized up to the amount of the costs incurred. Contract costs are recognized as an expense in the period in which they are incurred. If it is foreseeable that the total contract costs will exceed the contract revenue, the expected loss is recognized as an expense immediately.

Cost of Sales

Cost of sales includes direct and indirect acquisition and production costs attributable to the production process; these include costs of materials and labor, depreciation, amortization, impairment losses and other costs. Personnel costs for employees in the research and development, selling as well as general and administration functions are recorded in the relevant functional costs and are excluded from cost of sales. The cost and income from changes in warranty provisions is also included in the cost of sales.

Selling Expenses

Our selling expenses consist primarily of compensation and associated costs for sales and marketing personnel, commissions for agents, logistics costs, advertising costs, trade fairs, travel expenses related to our sales and marketing operations and other marketing costs.

Research and Development Expenses

Research and development expenses consist primarily of personnel, material and other costs directly linked to research and development throughout our businesses. Development activity relating to specific orders and customer specifications is not recognized as research and development expenses but in cost of sales. Development costs that are designed to significantly enhance a product or process are capitalized if completion of the product or process is technically and economically feasible, the development is marketable, the expenditures can be measured reliably, and adequate resources are available to complete the development project. All other development expenditures are recognized immediately as expenses. Capitalized development expenditures for completed projects are reported at cost less cumulative amortization and impairment losses. Capitalized development costs for intangible assets not yet available for use are tested for impairment once a year. Development costs that are required under construction contracts are capitalized as part of the cost of the asset.

General and Administrative Expenses

General and administrative expenses consist of compensation and associated costs for administrative functions such as finance, legal, IT, HR and general management, including payments for such services provided by GEA Group under several service agreements, including for management services and for IT services. These relationships are described under "*Business—Material Contracts—Service Agreements between the HX Group and the GEA Group.*"

Other Income and Other Expenses

Other income and other expenses primarily includes gains and losses related to foreign currency transactions, gains and losses on the measurement of foreign currency derivatives, restructuring expenses, gains and losses related to the disposal of non-current assets, income from the release of provisions, income from payments received on receivables previously written off, costs of bad debt allowances on trade receivables and miscellaneous other income and expenses.

Share of Profit or Loss of Equity-Accounted Investments

Share of profit or loss of equity-accounted investments comprises the attributable income or loss of joint ventures and other entities accounted for by the equity method.

Other Financial Income and Other Financial Expenses

Other financial income and other financial expenses include income from profit transfer agreements, impairment losses on financial assets and income from other equity investments (mainly non-consolidated entities).

Interest Income and Interest Expenses

Interest income includes interest income on receivables, cash investments and marketable securities, and other interest income.

Interest expenses includes interest expenses on financial liabilities, interest cost from discounting unwinding on defined benefit obligations, interest cost from discounting unwinding on discounted provisions and other employee benefit obligations and other interest expenses.

Income Taxes

The income tax expense was calculated on the basis of the HX Group's structure under company law as of December 31, 2013, following the implementation of the pre-structuring measures under company law planned by the management of GEA AG for 2013. Additional tax groups were assumed in some countries to optimize taxation.

Results of Operations

Comparison of the three-month periods ended March 31, 2013 and 2014

The following table shows the combined income statement of the HX Group for the three-month periods ended March 31, 2013 and 2014:

Combined Income Statement	Three-month period ended March 31,			
	2013		2014	
		% of revenue		% of revenue
	(in € million, other than percentages) (unaudited)			
Revenue	318.1	100.0%	311.4	100.0%
Cost of sales	236.9	74.5%	232.5	74.6%
Gross profit	**81.2**	**25.5%**	**79.0**	**25.4%**
Selling expenses	38.4	12.1%	36.9	11.8%
Research and development expenses	3.2	1.0%	3.1	1.0%
General and administrative expenses	23.3	7.3%	21.6	6.9%
Other income	7.7	2.4%	11.0	3.5%
Other expenses	6.7	2.1%	11.3	3.6%
Other financial income	0.1	0.0%	0.0	0.0%
Other financial expenses	0.1	0.0%	(0.1)	0.0%
Earnings before interest and tax (EBIT)	**17.2**	**5.5%**	**17.2**	**5.4%**
Interest income	2.1	0.7%	0.4	0.1%
Interest expense	4.6	1.4%	1.0	0.3%
Profit before tax	14.7	4.6%	16.6	5.3%
Income taxes	4.6	1.4%	4.8	1.5%
Profit after tax	**10.2**	**3.2%**	**11.8**	**3.8%**
Combined profit for the period	**10.2**	**3.2%**	**11.8**	**3.8%**
of which attributable to non-controlling interests	10,2	3.2%	11.8	3.7%

The following table shows our revenue by business unit for the three-month periods ended March 31, 2013 and 2014:

Revenue by business unit	Three-month period ended March 31,			
	2013		2014	
		% of revenue		% of revenue
	(in € million, other than percentages) (unaudited)			
Shell & Tube ("S&T")	19.4	6.1%	23.2	7.5%
Plate Heat Exchangers ("PHE")	59.0	18.6%	47.5	15.3%
Air Treatment ("AT")	65.0	20.4%	62.1	19.9%
AFC Compact Systems ("AFC-CS")	54.9	17.3%	54.1	17.4%
AFC Single Tube ("AFC-ST")	45.6	14.3%	51.1	16.4%
ACC/Heller ("ACCH")	52.2	16.4%	53.1	17.1%
Wet Cooling ("WET")	22.1	6.9%	20.3	6.5%
Total	**318.1**	**100.0%**	**311.4**	**100.0%**

Revenue across the various regions was as follows:

Revenue by region	Three-month period ended March 31,			
	2013[(1)]		2014	
		% of revenue		% of revenue
	(in € million, other than percentages) (unaudited)			
Western Europe	148.1	46.6%	140.4	45.1%
Asia Pacific	46.1	14.5%	43.0	13.8%
Eastern Europe	33.9	10.7%	33.2	10.7%
Latin America	19.5	6.1%	9.7	3.1%
Middle East	23.2	7.3%	33.0	10.6%
North America	29.9	9.4%	35.3	11.3%
Africa	17.4	5.5%	16.9	5.4%
Total	**318.1**	**100.0%**	**311.4**	**100%**

(1) We have reported a different regional split in our combined financial statements as of and for the year ended December 31, 2013, including comparable data for the year ended December 31, 2012. In our combined financial statements for the year ended December 31, 2013 we split our revenue into Germany, Europe (excluding Germany), North America/Latin America, Middle East, Asia Pacific and Africa, while in our group management reporting we used the regional split reflected above which, for purposes of comparability, is used throughout the document. We have not reported regional splits in our unaudited condensed combined financial statements as of and for the three-month period ended March 31, 2013.

Revenue

In the three-month period ended March 31, 2014, our total revenue decreased by €6.7 million (2.1%) from €318.1 million in the three-month period ended March 31, 2013 to €311.4 million in the three-month period ended March 31, 2014. We generated most of our revenue in Western Europe (€140.4 million in the three-month period ended March 31, 2014 compared to €148.1 million in the three-month period ended March 31, 2013) followed by slightly decreased shares in Asia Pacific (€43.0 million in the three-month period ended March 31, 2014 compared to €46.1 million in the three-month period ended March 31, 2013) and an increased share in North America (€35.3 million in the three-month period ended March 31, 2014 compared to €29.9 million in the three-month period ended March 31, 2013). The development of our revenue per region reflects the individual trading of our business units as discussed below.

Our revenue in Western Europe decreased by €7.7 million (5.2%) mainly due to invoicing of a larger project in the ACCH business in the three-month period ended March 31, 2013 and a slower market in AT while AFC-CS refrigeration business in the Netherlands performed better than in the three-month period ended March 31, 2013. Asia Pacific revenue decreased by €3.2 million (6.8%) mainly due to lower volume in our ACCH business. This was partly offset by higher market demands in the business units AFC-ST, S&T and PHE where we saw recovery in particular in India. Revenue from the Latin America region decreased by €9.9 million (50.5%), primarily due to large order invoicing at PHE in the three-month period ended March 31, 2013 and lower order backlog in Brazil, in particular at AFC-ST. Revenue from the Middle East region increased by €9.8 million (42.2%) in the three-month period ended March 31, 2014 as compared to the three-month period ended March 31, 2013, which mainly reflects invoicing of large ACCH orders in Iraq. Revenue from North America (€35.3 million) was higher for the three-month period ended March 31, 2014 compared to the three-month period ended March 31, 2013 (18.2%), mainly driven by a large ACCH order in the United States. Overall revenue development in Eastern Europe as well as Africa was nearly on the same level as in the three-month period ended March 31, 2013. Revenue by composition of contract can be split as follows: in the three-month period ended March 31, 2014, revenue from construction contracts amounted to €112.5 million (36.1% of total revenue; three-month period ended March 31, 2013: €98.9 million, 31.1% of total revenue), revenue from the sale of component goods amounted to €167.6 million for the three-month period ended March 31, 2014 (53.8% of total revenue; three-month period ended March 31, 2013: €179.2 million, 56.3% of total revenue) and revenue from service agreements was €31.3 million for the three month period ended March 31, 2014 (10.1% of total revenue; three-month period ended March 31, 2013: €40.0 million, 12.6% of total revenue).

The table below shows the development of order intake for the three-month periods ended March 31, 2013 and 2014 and of the order backlog at the end of the respective period:

	Three-month period ended March 31,		
	2013	**2014**	**% change**
		(in € million) **(unaudited)**	
Order intake(1)	361.9	399.7	10.4%
Order backlog at end of the reporting period(2)	979.3	878.8	(10.3)%

(1) We book order intake upon binding placement of orders for the sale of goods or services and construction contracts during the reporting period. An order is considered to be binding when the contract has been signed by both parties or a down payment has been agreed with our customer and payment has been received. Cancellations of orders placed within the reporting period reduce the corresponding order intake.

(2) Order backlog at the end of the reporting period represents future sales potential from orders for products and services which have been recorded as order intake. Order backlog only includes orders where customers have given a binding commitment to fulfill the order. Order cancellations are not included in the order backlog and changes of existing orders affect the order backlog to the extent the value of the changed order is in excess or less than the amended original order.

During the three months ended March 31, 2014, our order intake was more than 10% higher than during the first three months of 2013, while our order backlog decreased from €979.3 million as of March 31, 2013 to €878.8 million as of March 31, 2014 (-10.3%). The decrease in order backlog was mainly due to the execution of large orders in ACCH and PHE (invoicing to Brazilian and Russian oil refineries) in the three-month period ended March 31, 2013. In addition to the phase out of our major project Medupi in South Africa, two large ACC-H projects, one in China (two out of four units were delayed) and one in Syria (on hold due to political crisis in Syria) were taken out of the backlog in June 2013.

Revenue by business unit

In the three-month period ended March 31, 2014, revenue in our S&T business unit increased by €3.8 million (19.8%) from €19.3 million in the three-month period ended March 31, 2013 to €23.2 million in the three-month period ended March 31, 2014 mainly due to higher volumes in Brazil.

In the three-month period ended March 31, 2014, revenue in our PHE business unit decreased by €11.5 million (19.5%) from €59.0 million in the three-month period ended March 31, 2013 to €47.5 million in the three-month period ended March 31, 2014 due to some larger orders invoiced in the three-month period ended March 31, 2013 which are not occurring at regular intervals.

In the three-month period ended March 31, 2014, revenue in our AT business unit decreased by €2.9 million (4.5%) from €65.0 million in the three-month period ended March 31, 2013 to €62.1 million in the three-month period ended March 31, 2014 due to a slower market in the past months which now seems to be recovering.

In the three-month period ended March 31, 2014, revenue in our AFC-CS business unit decreased by €0.8 million (1.5%) from €54.9 million in the three-month period ended March 31, 2013 to €54.1 million in the three-month period ended March 31, 2014 mainly due to orders on hand currently not being invoiced caused by customer requests.

In the three-month period ended March 31, 2014, revenue in our AFC-ST business unit increased by €5.5 million (12.0%) from €45.6 million in the three-month period ended March 31, 2013 to €51.1 million in the three-month period ended March 31, 2014 mainly due to stronger project business from our entity in France and several small and medium size projects in the United States, partly offset by lower revenue from service agreements as in the three-month period ended March 31, 2013 some bigger replacement bundles were executed.

In the three-month period ended March 31, 2014, revenue in our ACCH business unit increased only slightly by €0.9 million (1.7%) from €52.2 million in the three-month period ended March 31, 2013 to €53.1 million in the three-month period ended March 31, 2014. ACC-H revenue remains relatively stable, as the deviation is only minimal for large project business. In the three-month period ended March 31, 2014, revenue in our WET business unit decreased by €1.7 million (7.8%) from €22.1 million in the three-month period ended March 31, 2013 to €20.3 million in the three-month period ended March 31, 2014 due to lower volume in the United States.

Cost of sales

Cost of sales decreased by €4.5 million (1.9%) from €236.9 million in the three-month period ended March 31, 2013 to €232.5 million in the three-month period ended March 31, 2014, representing 74.5% of our revenue in the three-month period ended March 31, 2013 and 74.6% of our revenue in the three-month period ended March 31, 2014. Cost of sales mainly follows the revenue development.

Gross Profit and Gross Margin

Gross profit decreased by €2.2 million (2.7%) from €81.2 million in the three-month period ended March 31, 2013 to €79.0 million in the three-month period ended March 31, 2014, mainly due to the revenue effects stated above (revenue decreased by €6.7 million or 2.1%) from €318.1 million in the three-month period ended March 31, 2013 to €311.4 million in the three-month period ended March 31, 2014). Our gross margin in the three-month period ended March 31, 2014 amounting to 25.4% nearly is on the same level as in the three-month period ended March 31, 2013 (25.5%).

Selling Expenses

Selling expenses decreased by €1.6 million (4.1%) from €38.4 million in the three-month period ended March 31, 2013 to €36.9 million in the three-month period ended March 31, 2014. This development is mainly impacted by lower sales volumes in the business units PHE and AT.

Research and development expenses

Research and development expenses were stable and only decreased by €0.1 million (3.6%) from €3.2 million in the three-month period ended March 31, 2013 to €3.1 million in the three-month period ended March 31, 2014.

General and administrative expenses

In the three-month period ended March 31, 2014, the general and administrative expenses (€21.6 million) decreased slightly compared to the three-month period ended March 31, 2013 (7.1%). The decrease is mainly driven by timing issues regarding certain necessary payments.

Other Income and Other Expenses

In the three-month period ended March 31, 2014, other income and other expenses deviated mainly by currency effects. While other expenses increase by €4.6 million (foreign exchange effects thereof amounted to €4.1 million) other income increased by €3.3 million (with foreign exchange effects of €3.3 million).

Share of Profit or Loss of Equity-Accounted Investments

We did not book any profits or losses in the three-month periods ended March 31, 2013 and 2014.

Other Financial Income and Other Financial Expenses

In the three-month period ended March 31, 2014 other financial income and expenses improved compared to the three-month period ended March 31, 2013 by €0.1 million compared to to €0.1 million in the three-month period ended March 31, 2013 (as a net position).

Interest Income and Interest Expense

In the three-month period ended March 31, 2014, interest income (€0.4 million) decreased compared to the three-month period ended March 31, 2013 (83.1%) and interest expenses (€1.0 million) decreased compared to the three-month period ended March 31, 2013 (78.1%). Interest development is driven by the pre-structuring of the HX Group at the end of the financial year 2013 which resulted in a changed financing structure.

Income Taxes

In the three-month period ended March 31, 2014, the HX Group's income taxes increased by €0.2 million (4.4%) from €4.6 million in the three-month period ended March 31, 2013 to €4.8 million in the three-month period ended March 31, 2014, mainly due to an increased EBT which is mainly driven by higher net interest income.

Comparison of the Financial Years Ended December 31, 2012 and 2013

The following table shows the combined income statement of the HX Group for the financial years ended December 31, 2013 and 2012:

Combined Income Statement	**Financial year ended December 31,**			
	2012		**2013**	
		% of revenue		**% of revenue**
	(in € million, other than percentages)			
	(audited)	**(unaudited)**	**(audited)**	**(unaudited)**
Revenue	1,608.8	100.0%	1,489.1	100.0%
Cost of sales	1,195.1	74.3%	1,100.1	73.9%
Gross profit	**413.7**	**25.7%**	**389.0**	**26.1%**
Selling expenses	156.2	9.7%	160.4	10.8%
Research and development expenses	12.2	0.8%	13.7	0.9%
General and administrative expenses	93.2	5.8%	91.7	6.2%
Other income	35.0	2.2%	35.3	2.4%
Other expenses	55.6	3.5%	42.7	2.9%
Share of profit or loss of equity-accounted investments	0.9	0.1%	0.6	0.0%
Other financial income	0.3	0.0%	0.2	0.0%
Other financial expenses	1.5	0.1%	0.4	0.0%
Earnings before interest and tax (EBIT)	**131.0**	**8.1%**	**116.3**	**7.8%**
Interest income	7.5	0.5%	8.5	0.6%
Interest expense	22.2	1.4%	18.8	1.3%
Profit before tax	**116.3**	**7.2%**	**106.0**	**7.1%**
Income taxes	37.1	2.3%	32.9	2.2%
of which current taxes	30.2	1.9%	32.8	2.2%
of which deferred taxes	6.9	0.4%	0.1	0.0%
Profit after tax	**79.2**	**4.9%**	**73.1**	**4.9%**
Combined profit for the period	**79.2**	**4.9%**	**73.1**	**4.9%**
of which attributable to shareholders of GEA Group AG	77.0	4.9%	72.7	4.9%
of which attributable to non-controlling interests	2.2	1.1%	0.4	0.0%

The following table shows our revenue by business unit for the financial years ended December 31, 2012 and 2013:

Revenue by business unit	**Financial year ended December 31,**			
	2012		**2013**	
		% of revenue		**% of revenue**
	(in € million, other than percentages)			
	(audited)	**(unaudited)**	**(audited)**	**(unaudited)**
Shell & Tube ("S&T")	126.2	7.8%	99.4	6.7%
Plate Heat Exchangers ("PHE")	240.4	14.9%	271.7	18.2%
Air Treatment ("AT")	302.2	18.8%	299.9	20.1%
AFC Compact Systems ("AFC-CS")	286.8	17.8%	251.3	16.9%
AFC Single Tube ("AFC-ST")	228.9	14.2%	222.3	14.9%
ACC/Heller ("ACCH")	316.3	19.7%	245.8	16.5%
Wet Cooling ("WET")	107.9	6.7%	98.7	6.6%
Total	**1,608.8**	**100.0%**	**1,489.1**	**100.0%**

Revenue by region	**Financial year ended December 31,**			
	2012		**2013**[(1)]	
		% of revenue		**% of revenue**
	(in € million, other than percentages) **(unaudited)**			
Western Europe	669.1	41.6%	648.0	43.5%
Asia Pacific	272.4	16.9%	278.7	18.7%
Eastern Europe	158.4	9.9%	210.9	14.2%
Latin America	98.4	6.1%	55.0	3.7%
Middle East	135.1	8.4%	97.4	6.6%
North America	127.0	7.9%	128.4	8.6%
Africa	148.4	9.2%	70.7	4.7%
Total	**1,608.8**	**100%**	**1,489.1**	**100%**

(1) We have reported a different regional split in our combined financial statements as of and for the year ended December 31, 2013, including comparable data for the year ended December 31, 2012. In our combined financial statements for the year ended December 31, 2013 we split our revenue into Germany, Europe (excluding Germany), North America/Latin America, Middle East, Asia Pacific and Africa, while in our group management reporting we used the regional split reflected above which, for purposes of comparability, is used throughout the document.

Revenue

In the year ended December 31, 2013, our revenue decreased by €119.7 million (7.4%) from €1,608.8 million in year ended December 31, 2012 to €1,489.1 million in the year ended December 31, 2013. The decrease was mainly due to the phase-out of several large projects in our ACCH, S&T and AFC-CS business units described below, which was partly offset by an increase in sales in our PHE business unit.

We generated most of our revenue in Western Europe (€648.0 million in the year ended December 31, 2013 compared to €669.1 million in the year ended December 31, 2012) followed by slightly increased shares in Asia Pacific (€278.7 million in the year ended December 31, 2013 compared to €272.4 million in the year ended December 31, 2012) and Eastern Europe (€210.9 million in the year ended December 31, 2013 compared to €158.4 million in the year ended December 31, 2012). The development of our revenue per region reflects the individual trading of our business units as discussed below. Our revenue in Western Europe decreased by €21.1 million (3.2%) mainly due to the refrigeration business in our AFC-CS business unit. The revenue from Eastern Europe increased by €52.5 million (33.1%), which mainly reflects a large non-recurring project within our PHE business unit. Revenue from the Latin America region decreased by €43.4 million (44.1%), primarily due to the change of investment focus of a key oil and gas customer in Brazil and the fact that our revenue in the year ended December 31, 2012 in our ACCH business unit included a large service project in Mexico. Revenue from the Middle East region decreased by €37.8 million (27.9%) in the year ended December 31, 2013, which mainly reflects the phase-out of projects in our ACCH business unit. Revenue from North America (€128.4 million) was slightly higher than the prior year level (1.2%). Revenue from Africa decreased by €77.7 million (52.4%) mainly due to the Medupi project in our ACCH business unit.

Revenue by composition of contracts can be split as follows: in the year ended December 31, 2013 revenue from construction contracts amounted to €477.9 million (32.1% of total revenue; 2012: €536.4 million, 33.3% of total revenue), revenue from sale of goods and services amounted to €833.0 million (55.9% of total revenue; 2012: €869.5 million, 54.0% of total revenue) and revenue from service agreements was €178.2 million (12.0% of total revenue; 2012: €202.8 million, 12.6% of total revenue).

The table below shows the development of order intake for the financial years ended December 31, 2012 and 2013 and of the order backlog at the end of the respective financial year:

	Financial year ended December 31,		
	2012	**2013**	**% change**
		(in € million) **(unaudited)**	
Order intake[(1)]	1,509.8	1,500.3	(0.6)%
Order backlog at end of the reporting period[(2)]	933.3	805.1	(13.7)%

(1) We book order intake upon binding placement of orders for the sale of goods or services and construction contracts during the reporting period. An order is considered to be binding when the contract has been signed by both parties or a down payment has been agreed with our customer and payment has been received. Cancellations of orders placed during the reporting period reduce the corresponding order intake.

(2) Order backlog at the end of the reporting period represents future sales potential from orders for products and services which have been recorded as order intake. Order backlog only includes orders where customers have given a binding commitment to fulfill the order. Order cancellations are not included in the order backlog and changes of existing orders affect the order backlog to the extent the value of the changed order is in excess or less than the amended original order.

In the year ended December 31, 2013, our order intake was at approximately the same level as in the year ended December 31, 2012 (-0.6%). The order backlog decreased from €933.3 million in the year ended December 31, 2012 to €805.1 million in the year ended December 31, 2013 (13.7%) mainly due to ACCH business unit projects that were cancelled or delayed and large projects of non-recurring nature in our PHE business unit that were received in 2012 and delivered in 2013.

Revenue by business unit

In the year ended December 31, 2013, revenue in our S&T business unit decreased by €26.8 million (21.2%) from €126.2 million in 2012 to €99.4 million in 2013 due to the phase-out of a power plant refurbishment project in 2013 and the completion of a large Asian order for double tube systems that were delivered in 2012. In addition, revenue was negatively affected by the change in the investment strategy of a key oil and gas customer in Brazil.

Revenue in our PHE business unit increased by €31.3 million (13.0%) from €240.4 million in 2012 to €271.7 million in 2013. This was mainly due to the first time consolidation of two reporting units and an increase in revenue from large order business to Russian oil refineries.

Revenue in our AT business unit remained stable with €299.9 million in 2013 compared to €302.2 million in 2012.

In our AFC-CS business unit, revenue decreased by €35.5 million (12.4%) from €286.8 million in 2012 to €251.3 million in 2013 as a result of decreasing revenue in both the machine cooling and the refrigeration businesses mainly due to a slowdown in the marine engine market and in the European refrigeration markets.

Revenue in our AFC-ST business unit decreased by €6.6 million (2.9%) from €228.9 million in 2012 to €222.3 million in 2013 due to lower revenue from projects as limited large orders were awarded late 2012, which was only partially compensated for by increased demand for components in parts of Europe.

In our ACCH business unit revenue decreased by €70.5 million (22.3%) from €316.3 million in 2012 to €245.8 million in 2013. The decrease primarily reflects lower order intake and revenue decreases in the Heller business due to the political situation in Middle East and postponed projects in Eastern Europe and China as well as delays caused by factors outside our control at the Medupi project.

Revenue in our WET business unit decreased by €9.2 million (8.5%) from €107.9 million in 2012 to €98.7 million in 2013. This decrease was mainly driven by lower business related to larger Cooling Tower projects.

Cost of sales

Cost of sales decreased by €95.0 million (7.9%) from €1,195.1 million in 2012 to €1,100.1 million in 2013, representing 74.3% of our revenue in the year ended December 31, 2012 and 73.9% of our revenue in the year ended December 31, 2013. This decrease is mainly related to the lower sales volume.

Gross Profit and Gross Margin

Gross profit decreased by €24.7 million (6.0%) from €413.7 million in 2012 to €389.0 million in 2013, mainly due to revenue decreases in our ACCH, ACF-CS and S&T business units as discussed above, partly offset by increased gross profit in our AFC-ST and PHE business units resulted from higher manufacturing utilization and higher revenues respectively. Our gross margin slightly increased from 25.7% in 2012 to 26.1% in 2013 due to an increasing share of higher margin component sales, productivity improvements partly related to the above mentioned restructuring measures (see "*—Selected Key Factors Affecting Our Results of Operations and Financial Condition—Reduction of costs through restructuring program, operational improvements and shift to lower-cost countries*") and partly due to a decrease in cost of materials.

Selling Expenses

Selling expenses increased by €4.2 million (2.7%) from €156.2 million in 2012 to €160.4 million in 2013 The increase reflects a change in classification from administrative expenses to selling expenses in one business unit while selling expenses decreased slightly in five of the other six business units, mainly reflecting a lower revenue.

Research and development expenses

Research and development expenses increased by €1.5 million (12.3%) from €12.2 million in 2012 to €13.7 million in 2013. This increase mainly relates to additional product research and development activities in our AFC-CS and AT business units.

General and administrative expenses

In 2013, the general and administrative expenses (€91.7 million) decreased slightly compared to 2012 (1.6%). The decrease is due to reduced costs in several of the business units.

Other Income and Other Expenses

In 2013, other income was at approximately the same level as in 2012. In 2013, other expenses decreased by €12.9 million (23.2%) from €55.6 million in 2012 to €42.7 million, primarily due to the reclassification of certain expenses into "general and administrative expenses" as well as other decreases in expenses in our ACCH and AFC-CS business units due to impairments and restructuring expenses in 2012.

Share of Profit or Loss of Equity-Accounted Investments

In 2013 share of profit or loss of Equity-Accounted Investments decreased compared to 2012 by €0.3 million.

Other Financial Income and Other Financial Expenses

In 2013 other financial income decreased slightly from €0.3 million in 2012 to €0.2 million. Other financial expenses decreased by €1.1 million (75.5%) from €1.5 million in 2012 to €0.4 million in 2013. The decrease of financial expenses relates mainly to lower depreciation of loans to non-consolidated companies.

Interest Income and Interest Expense

Interest income increased by €1.0 million (13.1%) from €7.5 million in 2012 to €8.5 million in 2013. Interest expenses decreased by €3.4 million (15.3%) from €22.2 million in 2012 to €18.8 million in 2013. The development was mainly driven by a lower level of bank liabilities and a lower level of liabilities to GEA AG.

Income Taxes

In 2013, the HX Group's income taxes decreased by €4.2 million (11.3%) from €37.1 million in 2012 to €32.9 million in 2013. Current taxes increased by €2.6 million (8.6%) from €30.2 million in 2012 to €32.8 million in 2013. Deferred taxes decreased by €6.8 million (98.4%) from €6.9 million in 2012 to €0.1 million in 2013. Current taxes increased due to significant potential tax payments for prior years and deferred taxes decreased amongst others by changes in the tax rate.

Comparison of the Financial Years Ended December 31, 2011 and 2012

The following table shows the combined income statement of the HX Group for the financial years ended December 31, 2011 and 2012:

Combined Income Statement	**Financial year ended December 31,**			
	2011		**2012**	
		% of revenue		**% of revenue**
	(in € million, other than percentages)			
	(audited)	**(unaudited)**	**(audited)**	**(unaudited)**
Revenue	1,616.8	100.0%	1,608.8	100.0%
Cost of sales	1,216.8	75.3%	1,195.1	74.3%
Gross profit	**400.0**	**24.7%**	**413.7**	**25.7%**
Selling expenses	149.9	9.3%	156.2	9.7%
Research and development expenses	11.8	0.7%	12.2	0.8%
General and administrative expenses	97.8	6.0%	93.2	5.8%
Other income	38.8	2.4%	35.0	2.2%
Other expenses	62.0	3.8%	55.6	3.5%
Share of profit or loss of equity-accounted investments	1.6	0.1%	0.9	0.1%
Other financial income	0.3	0.0%	0.3	0.0%
Other financial expenses	0.3	0.0%	1.5	0.1%
Earnings before interest and tax (EBIT)	**119.0**	**7.4%**	**131.0**	**8.1%**
Interest income	4.6	0.3%	7.5	0.5%
Interest expense	19.0	1.2%	22.2	1.4%
Profit before tax	**104.6**	**6.5%**	**116.3**	**7.2%**
Interest taxes	37.4	2.3%	37.1	2.3%
of which current taxes	32.1	2.0%	30.2	1.9%
of which deferred taxes	5.3	0.3%	6.9	0.4%
Profit after tax	**67.3**	**4.2%**	**79.2**	**4.9%**
Combined profit for the period	**67.3**	**4.2%**	**79.2**	**4.9%**
of which attributable to shareholders of GEA Group AG	66.5	4.1%	77.0	4.9%
of which attributable to non-controlling interests	0.7	0.1%	2.2	1.1%

The following table shows our revenue by business unit for the financial year ended December 31, 2012:

Revenue by business unit	**Financial year ended December 31,**	
	2012(1)	
		% of revenue
	(in € million, other than percentages)	
	(audited)	**(unaudited)**
Shell & Tube ("S&T")	126.2	7.8%
Plate Heat Exchangers ("PHE")	240.4	14.9%
Air Treatment ("AT")	302.2	18.8%
AFC Compact Systems ("AFC-CS")	286.8	17.8%
AFC Single Tube ("AFC-ST")	228.9	14.2%
ACC/Heller ("ACCH")	316.3	19.7%
Wet Cooling ("WET")	107.9	6.7%
Total	**1,608.8**	**100.0%**

(1) No financial data by segment is available for the financial year ended December 31, 2011. *For more information, see "Summary—Summary Combined Financial and Other Information—Segment Reporting."*

Revenue by region	Financial year ended December 31,			
	2011[1]		2012[1]	
		% of revenue		% of revenue
	(in € million, other than percentages) (unaudited)			
Western Europe	684.9	42.4%	669.1	41.6%
Asia Pacific	217.3	13.4%	272.4	16.9%
Eastern Europe	220.3	13.6%	158.4	9.9%
Latin America	82.5	5.1%	98.4	6.1%
Middle East	138.9	8.6%	135.1	8.4%
North America	118.6	7.3%	127.0	7.9%
Africa	154.2	9.5%	148.4	9.2%
Total	**1,616.8**	**100.0%**	**1,608.8**	**100.0%**

(1) We have reported a different regional split in our combined financial statements as of and for the year ended December 31, 2013, including comparable data for the year ended December 31, 2012. In our combined financial statements for the year ended December 31, 2013 we split our revenue into Germany, Europe (excluding Germany), North America/Latin America, Middle East, Asia Pacific and Africa, while in our group management reporting we used the regional split reflected above which, for purposes of comparability, is used throughout the document. We have not reported a regional revenue split in our combined financial statements as of and for the year ended December 31, 2012.

Revenue

In the year ended December 31, 2012, our total revenue decreased slightly by €8.0 million (-0.5%), from €1,616.8 million in 2011 to €1,608.8 million in 2012. Revenue from our ACCH business unit decreased due to the completion of several larger projects in the financial years ended December 2011 and 2012 accompanied by a reduction in the number of small and mid-sized projects. Revenue in our PHE business unit increased due to an increase in gasketed plate heat exchanger revenue in North America and the first time consolidation of two reporting units. Revenue in our AFC-CS segment decreased mainly due to the relocation of production, the phase-out of some large orders as well as adverse market developments in the European refrigeration business and in the marine engine business in Asia Pacific. In our S&T business unit, revenue increased primarily due a large order for double tube systems delivered in 2012. Revenue in our WET business unit decreased mainly due to slower progress on some larger projects. Revenue in our AT business unit for 2012 was flat in comparison to 2011.

We generated most of our revenue in Western Europe (41.6% in the year ended December 31, 2012 compared to 42.4% in the year ended December 31, 2011) followed by increased shares in Asia Pacific (16.9% in the year ended December 31, 2012 compared to 13.4% in the year ended December 31, 2011). The decrease in revenue in Western Europe from €684.9 million in 2011 to €669.1 million in 2012 was primarily due to our ACCH business unit, which was affected by the volatile economic situations in several markets. In our AFC-CS business unit, revenue in Western Europe was affected by the phase-out of some larger orders in 2011, adverse market developments in the European refrigeration markets and the relocation of production that negatively impacted revenue of the bundle product line. In addition, revenue in our S&T business unit in Western Europe was adversely affected by a decline in the transformer market. The increase in the Asia Pacific region largely relates to local power generation projects in our ACCH business unit and our S&T business unit's delivery of a large order. The project mix in our ACCH business unit also contributed to the decrease in revenue in Eastern Europe in 2012.

Revenue by composition of contract can be split as follows: in the year ended December 31, 2012 revenue from construction contracts amounted to €536.4 million (33.3% of total revenue; 2011: €577.1 million, 35.7% of total revenue), revenue from sale of component goods amounted to €869.6 million (54.1% of total revenue; 2011: €862.2 million, 53.3% of total revenue) and revenue from service agreements was €202.8 million (12.6% of total revenue; 2011: €177.5 million, 11.0% of total revenue).

The table below shows the development of order intake for the financial years ended December 31, 2011 and 2012 and of the order backlog at the end of the respective financial years:

	Financial year ended December 31,		
	2011	2012	% change
	(in € million) (unaudited)		
Order intake[1]	1,653.2	1,509.8	(8.7)%
Order backlog at the end of the reporting period[2]	1,086.0	933.3	(14.0)%

(1) We book order intake upon binding placement of orders for the sale of goods or services and construction contracts during the reporting period. An order is considered to be binding when the contract has been signed by both parties or a down payment has been agreed with our customer and payment has been received. Cancellations of orders placed during the reporting period reduce the corresponding order intake.

(2) Order backlog at the end of the reporting period represents future sales potential from orders for products and services which have been recorded as order intake. Order backlog only includes orders where customers have given a binding commitment to fulfill the order. Order cancellations are not included in the order backlog and changes of existing orders affect the order backlog to the extent the value of the changed order is in excess or less than the amended original order.

In the year ended December 31, 2012, order intake decreased by €143.4 million (-8.7%) from the year ended December 31, 2011, mainly due to our ACCH, AFC-ST and S&T business units. Our ACCH business unit faced a slowdown in global power generation investments after the financial crisis. Our AFC-ST business unit experienced a reduction of large projects. The S&T business unit encountered adverse market developments in some important markets. These three business units also largely accounted for the decrease in order backlog from €1,086.0 million as of December 31, 2011 to €933.3 million as of December 31, 2012.

Revenue by business unit

In the year ended December 31, 2012, revenue in our S&T business unit increased due to a large order from Taiwan received in the second half of 2011 which was then invoiced in the following year.

Revenue in our PHE business unit increased in 2012. This was mainly due to the first time consolidation of two reporting units in China and the United Kingdom as well as stronger business in the United States.

Revenue in our AT business unit remained on a comparable level with €302.2 million in 2012.

In our AFC-CS business unit, revenue decreased in 2012 as a result of a lower order intake caused by a declined market demand for refrigeration and power both from Europe and Asia which affected revenues more significantly than before.

Revenue in our AFC-ST business unit increased due to a partial catch-up on postponed investments after the financial crisis in 2009 which reflected in large orders from Russia and Latin America awarded in 2011.

In our ACC-H business unit revenue decreased in 2012. The decrease primarily follows the lower order intake in 2012 as in 2011 one extraordinary large project was awarded.

Revenue in our WET business unit decreased in 2012. This decrease was mainly driven by a management decision to discontinue new build Circular & Hybrid Cooling Tower projects under a turnkey arrangement and a general market slow down in the United States.

Cost of Sales

In 2012, cost of sales decreased by €21.7 million (-1.8%) from €1,216.8 million in 2011 to €1,195.1 million in 2012, including decreases in both the cost of materials, as a result of decrease in revenue, as well as lower costs for value adding activities partly attributable to the initial effects from cost-improvement measures focusing on the reduction of production overlaps, the shutdown of certain production sites and the shift of production from higher- into lower-cost countries.

Gross Profit and Gross Margin

Despite a decrease in revenue, gross profit increased by €13.7 million (3.4%) from €400.0 million in 2011 to €413.7 million in 2012. The increase in gross profit is primarily due to our AT business unit, which benefitted from the consolidation of production sites and raw material cost reductions and the profitability of one of the large projects in our WET business unit. Our gross margin increased from 24.7% in 2011 to 25.7% in 2012.

Selling Expenses

Selling expenses increased by €6.3 million (4.2%) from €149.9 million in 2011 to €156.2 million in 2012 mainly due to increased personnel expenses in 2012 and first-time consolidation effects in our PHE business unit.

Research and Development Expenses

Research and development expenses remained almost stable with €11.8 million in 2011 and €12.2 million in 2012.

General and Administrative Expenses

In 2012, general and administrative expenses decreased by €4.6 million (4.7%) from €97.8 million in 2011 to €93.2 million which resulted from our AT and AFC-CS business units.

Other Income and Other Expenses

Other income decreased by €3.8 million (10.0%) from €38.8 million in 2011 to €35.0 million in 2012. This decrease was mainly attributable to a decrease in miscellaneous income items which also included a lower foreign exchange result at our PHE business unit.

Other expenses decreased by €6.4 million (10.3%) from €62.0 million in 2011 to €55.6 million in 2012. This decrease was mainly attributable to a reduction in restructuring expenses in 2012 compared to 2011.

Share of Profit or Loss of Equity-Accounted Investments

In 2011 share of profit or loss of equity-accounted investments decreased compared to 2012 by €0.7 million (47.1%) from €1.6 million in 2011 to €0.9 million in 2012. The decrease was mainly driven by higher volume in our joint ventures.

Other Financial Income and Other Financial Expenses

In 2012 other financial income was approximately at the same level as 2011. Other financial expenses increased by €1.3 million (515%) from €0.3 million in 2011 to €1.5 million in 2012. The increase of financial expenses relates mainly to depreciation of loans to non-consolidated companies.

Interest Income and Interest Expenses

In 2012, interest income increased by €2.9 million (61.9%) from €4.6 million in 2011 to €7.5 million which was largely due to an increase in interest income on receivables, cash investments and marketable securities from third parties and GEA Group AG and affiliated companies.

In 2012, interest expense increased by €3.2 million (17.0%) from €19.0 million in 2011 to €22.2 million. This increase was mainly driven by an increase in interest expenses on financial liabilities from GEA Group AG and affiliated companies.

Income Taxes

In 2012, the HX Group's income taxes slightly decreased by €0.3 million (0.6%) from €37.4 million in 2011 to €37.1 million. Current taxes decreased by €1.9 million (5.9%) from €32.1 million in 2011 to €30.2 million in 2012 while deferred taxes increased by €1.6 million (31.1%) from €5.3 million in 2011 to €6.9 million in 2012.

Liquidity and Capital Resources

General

Historically, we received only a few loans from third parties (other than GEA AG or GEA Group companies). In total, we sourced €3.0 million in loans from banks (as of December 31, 2013). As of the date of this offering memorandum, we have sourced most of our liquidity from our operating cash flows and, as required, internal loans from GEA AG or other GEA Group companies, in particular, a cash loan facility with a maximum amount of €80 million granted by GEA AG to HX Holding based on a credit facility agreement dated December 20, 2013, as amended on January 27, 2014 (see "*Description of Certain Financing Arrangements—Financing of the HX Group—Loan arrangements of the HX Group with the GEA Group.*"). This cash loan facility will be repaid and canceled on or around the Completion Date. Following completion of the Acquisition and the other Transactions, we will have substantial indebtedness, and will source our liquidity from our operating cash flows, as well as borrowings under the Senior Facilities. Borrowings under the Senior Revolving Credit Facility and the Senior Guarantee Facility will be subject to certain conditions, including compliance with financial maintenance and other covenants and warranties. See "*Description of Certain Financing Arrangement*," "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes.*"

Our ability to make principal or interest payments when due on our indebtedness, including the Senior Facilities and our obligations under the Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed under "*Risk Factors*," many of which are beyond our control. We also expect to be highly leveraged for the foreseeable future and we may undertake acquisitions and investments in the future which may increase our leverage and level of indebtedness. The level of our indebtedness may have important liquidity consequences. See "*Risk Factors—Risks Related to our Financing.*"

As of March 31, 2014, we had €88.2 million of cash and cash equivalents. Our cash and cash equivalents as of March 31, 2014, after giving pro forma effect to the issue and sale of the Notes, the application of proceeds thereof as described under "*Use of Proceeds*" and the other Transactions, would have been €48.0 million (including restricted cash and cash equivalents). We believe that our cash flow from operating activities together with future borrowings under the Senior Revolving Credit Facility Agreement will be sufficient to fund our working capital requirements, anticipated capital expenditures and debt service requirements as they become due.

The following table shows selected combined cash flow statement data of the HX Group for the financial years ended December 31, 2011, 2012 and 2013, for the three-month periods ended March 31, 2013 and 2014 and for the twelve months ended March 31, 2014:

	Financial year ended December 31,			Three-month period ended March 31,		Twelve months ended March 31,
	2011	2012	2013	2013	2014	2014
			(in € million)			
		(audited)			(unaudited)	
Cash flow from operating activities	106.5	121.2	131.8	(12.0)	(39.1)	104.7
Cash flow from investing activities	(17.9)	(26.9)	(28.2)	(1.6)	(3.5)	(30.1)
Cash flow from financing activities	(67.6)	(108.4)	(120.3)	(11.4)	18.9	(90.0)
Effect of exchange rate changes on cash and cash equivalents	(7.5)	(3.7)	(13.8)	(1.2)	(0.7)	(13.3)
Change in unrestricted cash and cash equivalents	13.5	(17.8)	(30.4)	(26.2)	(24.4)	(28.6)
Unrestricted cash and cash equivalents at end of period	160.4	142.6	112.2	116.4	87.9	87.9
Restricted cash and cash equivalents	3.7	5.6	0.0	0.4	0.3	0.3
Cash and cash equivalents reported in the combined balance sheet	**164.2**	**148.2**	**112.3**	**116.8**	**88.2**	**88.2**

Comparison of the three-month periods ended March 31, 2013 and 2014

Cash flow from operating activities decreased by €27.1 million (-226.7%) to €-39.1 million in the three-month period ended March 31, 2014 as compared to €-12.0 million in the three-month period ended March 31, 2013. This is mainly driven by the increased trade working capital compared to December 31, 2013. The difference in trade working capital increased by €29.8 million compared to March, 31 2013.

In the three-month period ended March 31, 2014, cash spent in investing activities increased by €2.0 million (121.2%) from €1.6 million in the three-month period ended March 31, 2013 to €3.5 million in the three-month period ended March 31, 2014.

Cash spent in financing activities of the HX Group decreased by €30.3 million (-265.8%) from €11.4 million in the three-month period ended March 31, 2013 to cash payment of €18.9 million in the three-month period ended March 31, 2014 mainly as a result of increased finance volume.

Comparison of the Years Ended December 31, 2012 and 2013

Cash flow from operating activities increased by €10.6 million (8.7%) to €131.8 million in 2013 as compared to €121.2 million in 2012. This mainly reflects a reduction in trade working capital in our AT, PHE and AFC-ST business units due to lower sales (in the case of AT and PHE) and finalization of projects (in the case of AFC-ST). These effects were partly offset by an increase in trade working capital in our ACCH business unit due to progress made on our Medupi project and the corresponding reduction in advances received. In addition, the cash flow from operating activities benefitted from lower tax payments in 2013.

In 2013, cash spent in investing activities increased by €1.3 million (4.8%) from €26.9 million in 2012 to €28.2 million.

Cash spent in financing activities of the HX Group increased by €11.9 million (11.0%) from €108.4 million in 2012 to €120.3 million in 2013 mainly as a result of a cash outflow regarding intragroup financing comprising dividends, intragroup transactions, cash pool and other intragroup loans/receivables.

Comparison of the Years Ended December 31, 2011 and 2012

In 2012, cash flow from operating activities increased by €14.7 million (13.8%) from €106.5 million in 2011 to €121.2 million. This improvement mainly reflects a higher EBIT (increase of €12.0 million) and a reduction in working capital mainly in our AFC-CS and WET business units, and due to the decrease in sales in the case of the AFC-CS business unit and a decrease in larger CT projects in the case of the WET business unit.

In 2012, the cash spent in investing activities increased by €9.0 million (50.3%) from €17.9 million in 2011 to €26.9 million in 2012. This is mainly related to capital expenditures for the expansion of one of our sites in China. In addition, the dividend cash inflow included in the cash flow from investing activities decreased by €7.0 million (55.6%) from €12.6 million in 2011 to €5.6 million in 2012 due to lower dividends from non HX Group entities legally owned but not consolidated within the HX Group.

In 2012, cash outflows from financing activities of the HX Group increased by €40.8 million (60.4%) to €108.4 million, as compared to €67.6 million in 2011. This development was mainly due to an increase in repayments of other transactions and financing with GEA AG and affiliated companies by 57.8% from €62.1 million in 2011 to €98.0 million in 2012.

Trade Working Capital

Our trade working capital consists of inventories, gross amounts due from customers for contract work (receivables based on percentage of completion ("PoC")) and trade receivables less trade payables and advance payments.

Historically, we have financed our working capital requirements by way of cash generated from the operating cash flows and, as required, internal loans from GEA AG or other GEA Group companies. To replace these internal loans and our ongoing working capital requirements, we have access to the Senior Revolving Credit Facility.

We aim to optimize the level of our working capital and reduce swings in working capital and cash volatility through a continued working capital improvement management. In order to do so, we use trade working capital (calculated as the last twelve month average balance) as the main performance indicator for monitoring the trade working capital development.

The trade working capital pattern differs between our component business and our project business, with on average higher trade working capital requirements in our component business as compared to our project business (higher both in absolute trade working capital requirements and as a percentage of component and project business revenue). This reflects the fact that in our project business the inventory, construction contracts and trade receivables are financed to a greater extent by advances from customers and by longer payment terms with suppliers, compared to our component business. In addition, the business model of our component business requires higher inventory levels compared to our project business, especially in our PHE and AFC-CS business units.

Gross amounts due from customers for contract work mainly relate to projects in the ACCH and AFC-ST business units.

With respect to trade receivables, the level of trade receivables varies by the individual business unit and is dependent on the specific characteristics of each business including revenue in different regions of the business units. In France and Germany, the HX Group companies opted to participate in factoring arrangements with GEA AG and used these arrangements to reduce cash collection times on trade receivables for large customers. We intend to increase factoring in the future.

Advance payments consist of customer payments on account of orders and construction contracts and billings for construction contracts in excess of cost incurred and estimated earnings.

The following unaudited table summarizes our historical trade working capital for the financial years ended December 31, 2011, 2012 and 2013:

	As of December 31,		
	2011	**2012**	**2013**
	(in € million) **(unaudited, unless otherwise indicated)**		
Inventory (audited)	198.4	181.8	142.3
Trade receivables (audited)[(1)]	426.7	415.3	414.2
Trade payables (audited)	(285.3)	(231.8)	(238.5)
Advance payments	(155.3)	(182.5)	(144.8)
Trade working capital[(2)]	**184.4**	**182.9**	**173.2**

(1) Includes gross amount due from customers for contract work

(2) Trade working capital is defined as the total of inventory and trade receivables, including gross amount due from customers for contract work, less trade payables and advance payments. Advance payments are defined as total of payments on account received in respect of orders and construction contracts and gross amount due to customers for contract work.

December 31, 2011 compared to December 31, 2012

Trade working capital decreased slightly from 2011 to 2012. Inventory decreased in 2012 mainly due to the fact that inventory in December 2011 included positions relating to large orders in our AFC-CS business unit that were delivered in 2012. AFC-CS also accounted for the decrease in trade receivables partly due to the business unit's lower revenues in the second half of 2012. Decreased revenue also affected the year-end level of trade payables. The increase in advance payments was largely due to the increase of the large order business in our PHE business unit which was mostly pre-financed.

December 31, 2012 compared to December 31, 2013

The major changes in the decrease in trade working capital from 2012 to 2013 are due to decreases in inventory partly offset by a reduction in advance payments and an increase in trade payables. The level of inventory decreased in our PHE business unit mainly due to the large project business mentioned above while as well as the initiative implemented. Advance payments decreased by €37.7 million which were driven by the large order business in PHE.

December 31, 2013 compared to March 31, 2014

Trade working capital increased from December 31, 2013 to March 31, 2014 mainly due to a decrease in payables.

Capital Expenditures

Our capital expenditures mainly consist of maintenance and replacement projects within our existing plant portfolio as well as of expansionary projects to address new products, customers and regions. Expansionary projects also include quality improvement, rationalization and research and development projects. Because our component business is more capital intensive than our project business, a significant part of our overall capital expenditures are invested in our business units focusing on the component business.

In 2011, our major expansionary capital expenditures related to investments for one of our sites in Poland as well as in Germany.

In 2012, our major expansionary capital expenditures related to the extension of one of our sites in China. Furthermore we also expanded one of our production sites in Poland.

In 2013, our major expansionary projects related to our AT business unit where we invested in new production capacity at our facility in Germany. Furthermore, we invested in the harmonization of our business processes including the rollout of a single SAP accounting and enterprise resource planning system template for several HX locations. Moreover, we continued to invest in one of our China sites.

In the first quarter of 2014 there were no major (single) capital expenditures.

In general, we spend an average of around 2% of total revenue on capital expenditures (roughly equally split between expansion projects and maintenance). Going forward, we plan to keep capital expenditures in line with this historical level and will continue to invest in the maintenance and optimization of our production facilities and in the expansion of our capacities to meet expected demand for our existing and new products.

Financial liabilities; Employee benefit obligations; Contingent liabilities; Other financial obligations

Liabilities to GEA Group AG and affiliated companies, to banks and other liabilities

Financial liabilities mainly comprise liabilities to GEA AG and affiliated companies, liabilities to banks and liabilities under finance leases.

The following table shows the financial liabilities of the HX Group as of December 31, 2011, 2012 and 2013 and March 31, 2014:

Financial liabilities	**December 31, 2011**	**December 31, 2012**	**December 31, 2013**	**March 31, 2014**
		(in € million)		
		(audited)		**(unaudited)**
Liabilities to GEA Group AG and affiliated companies	65.1	246.9	20.1	25.8
Liabilities to banks	0.6	0.4	1.2	0.4
Liabilities under finance leases	5.6	5.4	4.6	12.9
Liabilities from derivatives	0.4	0.1	0.1	0.2
Non-current financial liabilities	**71.7**	**252.9**	**26.0**	**39.3**
Liabilities to GEA Group AG and affiliated companies	449.5	308.9	268.2	68.2
Liabilities to other equity investments	0.3	0.2	0.2	0.2
Liabilities to banks	12.2	6.0	1.8	5.4
Liabilities under finance leases	0.4	0.5	0.6	0.3
Liabilities from derivatives	3.7	1.1	1.6	2.0
Current financial liabilities	**466.1**	**316.7**	**272.4**	**76.1**
Total financial liabilities	**537.8**	**569.5**	**298.4**	**115.3**

The maturities of liabilities to banks were as follows as of December 31, 2011, 2012 and 2013:

	December 31, 2011	**December 31, 2012**	**December 31, 2013**	**March 31, 2014**
		(in € million)		
		(audited)		**(unaudited)**
< 1 year	12.2	6.0	1.8	5.4
> 1 year	0.6	0.4	1.2	0.4(1)
1 – 2 years	0.1	0.2	1.0	
2 – 3 years	0.1	0.1	0.1	
3 – 4 years	0.1	0.1	0.0	
4 – 5 years	0.1	0.0	—	
Total	**12.8**	**6.5**	**3.0**	**5.8**

(1) The maturities of liabilities to banks as of March 31, 2014 only reflect maturities of less than one year and maturities of more than one year in our internal accounting system.

The following table shows a breakdown of future payments under finance leases:

	Minimum lease payments Interest			Interest			Present value of minimum lease payments		
	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013
					(in € million) **(audited)**				
Not later than one year	0.5	0.5	0.9	0.0	0.0	0.3	0.4	0.5	0.6
Between one and five years	1.0	4.2	4.2	0.1	1.1	0.8	0.8	3.1	3.4
Later than five years	8.4	3.7	1.6	3.5	1.4	0.3	4.8	2.4	1.3
Total future payments under finance leases	**9.8**	**8.5**	**6.7**	**3.7**	**2.6**	**1.4**	**6.0**	**5.9**	**5.3**

The liabilities under finance leases were mainly attributable to land and buildings leased from the GEA Group and third parties, as well as IT equipment leased from the GEA Group. The present value of minimum lease payments as of December 31, 2013, relating to leases for land and buildings amounted to €4.6 million (2012: €5.2 million; 2011: €5.7 million).

Financial obligations giving pro forma effect to the Transactions

The following table summarizes our financial obligations as of March 31, 2014 on an unaudited pro forma basis to give effect to the Transactions:

	Pro forma(1)	Total	Less than 1 year	1-3 years	3-5 years	more than 5 years
			(in € million) **(unaudited)**			
Senior Secured Notes offered hereby(2)	525.0	**525.0**	—	—	—	525.0
Senior Notes offered hereby(3)	250.0	**250.0**	—	—	—	250.0
Finance lease liabilities	13.2	**13.2**	0.3	0.9	0.9	11.2
Other net liabilities(4)	(0.8)	**(0.8)**	(0.1)	0.1	—	—

(1) Pro forma total liabilities sets out our total liabilities as of March 31, 2014 as adjusted to give effect to the Transactions as if they had occurred on March 31, 2014. We expect the Senior Revolving Credit Facility to be undrawn as of the Completion Date and we expect substantial amounts to be utilized under the Senior Guarantee Facility on the Completion Date.

(2) Refers to the Senior Secured Notes offered hereby.

(3) Refers to the Senior Notes offered hereby.

(4) Other net liabilities include derivative liabilities, liabilities to banks and other equity investments.

Employee benefit obligations

The following table shows the employee benefit obligations of the HX Group as of December 31, 2011, 2012 and 2013:

	December 31,			March 31,
Employee benefit obligations	**2011**	**2012**	**2013**	**2014**
		(in € million) **(audited)**		**(unaudited)**
Obligations under pension plans	14.9	22.9	21.6	22.1
of which defined benefit pension plans	14.9	22.9	21.6	22.1
of which defined contribution pension plans	0.0	0.0	0.0	0
Other employee benefit obligations	1.7	1.7	2.0	2.1
Partial retirement	1.5	1.3	1.1	1.2
Jubilee benefits	1.7	1.9	2.4	2.4
Other non-current obligations to employees	2.0	1.0	0.7	0.7
Non-current employee benefit obligations	**21.9**	**28.9**	**27.7**	**28.6**
Redundancy plan and severance payments	7.2	0.9	0.5	0.4
Outstanding vacation, flextime/overtime credits	12.8	12.7	12.6	14.5
Bonuses	18.4	16.5	18.0	11.5
Other current obligations to employees	6.3	6.2	7.1	7.3
Current employee benefit obligations	**44.7**	**36.4**	**38.2**	**33.7**
Total employee benefit obligations	**66.6**	**65.3**	**65.9**	**62.2**

The HX Group operates various forms of pension plans for current and former employees and their surviving dependents, which are determined by the legal, tax and economic situation of each country concerned. These company pension plans include both defined benefit and defined contribution pension plans.

A defined contribution pension plan is a pension plan under which HX Group pays fixed contributions to a fund and has no legal or constructive obligations to make additional contributions if the fund has insufficient assets to pay all the employees the benefits related to the services rendered in the current year and in prior years. Contributions accrued in respect of defined contribution plans are expensed annually. A defined benefit pension plan is a pension plan that is not a defined contribution plan. A defined benefit plan usually defines the amount of the benefit that will be received by an employee at the time of retirement, normally on the basis of one or more factors such as age, years of service and remuneration.

Defined Benefit Pension Plans

The defined benefit pension plan obligations mainly exist in Germany.

In Germany, the HX Group grants old-age, disability and survivors' benefits to many of its employees. New employees are generally only granted benefits that are partly funded by employee contributions. As part of the general benefits provided, all employees have the opportunity to voluntarily defer part of their compensation. Under this arrangement, an agreed amount of their salary plus an employer contribution of up to 100% of the deferred amount is converted into a pension benefit. A corresponding collective bargaining agreement was entered into in 2002 and revised in 2008.

Managers receive benefits comprising an income-related employer-funded basic amount, an employer-funded top-up, and a matching amount funded through deferred compensation with an employer contribution of up to 100% of the deferred amount. The additional contributions from the top-up and matching amounts are determined annually and converted into a pension benefit by the employer. These commitments are granted in the form of identical individual commitments.

For both commitments, the post-retirement benefits are adjusted by 1% each year.

In addition to the currently open benefit schemes, there are a number of historical pension schemes in the company. These schemes are generally closed to new employees, but are maintained unchanged for employees who were members at the time the scheme was closed.

The pension liabilities are partly covered by reinsurance policies.

Defined Contribution Pensions Plans

Various HX Group companies operate defined contribution pension plans. Under these plans, the obligation does not lie with the HX Group, but with the respective pension funds. Contributions totaling €1.1 million were paid in the year ended December 31, 2013 (2012: €1.1 million; 2011: €1.0 million). Contributions of €13.3 million were paid to state pension insurance schemes in the year ended December 31, 2013 (2012: €13.0 million; 2011: €11.9 million). These contributions are recognized as personnel expenses at the same time as the relevant service is rendered.

Contingent liabilities

Until December 31, 2013, the HX Group did not have any material contingent liabilities. Contingent liabilities for which the primary debtor is an HX Group company, and for which GEA AG has issued or instructed the issue of bank or group guarantees in favor of customers or lenders are not contingent liabilities of the HX Group. Information on the relevant transactions is presented in the disclosures on related party transactions in the combined financial statements as included in the financial section of this offering memorandum and in the section "*Certain Relationships and Related Party Transactions—Financial Management, Loans and Guarantees*" and "*Description of Certain Financing Arrangements—Guarantees*."

Other financial obligations

Other financial obligations represent rental and lease obligations, purchase commitments and obligations under acquisition agreements. The following table shows the other financial obligations as per December 31, 2011, 2012 and 2013:

	December 31,		
Other financial obligations	**2011**	**2012**	**2013**
		(in € million) **(audited)**	
Rental and lease obligations	68.8	63.1	58.4
Purchase commitments	349.4	173.4	137.0
Total	**418.2**	**236.5**	**195.5**

Obligations under rental and lease agreements relate primarily to land and buildings and to a lesser extent to technical equipment and machinery. The leases run until no later than 2031 (2011: 2025; 2012: 2031;). Payments are spread over future fiscal years as follows:

	December 31,		
	2011	2012	2013
		(in € million) **(audited)**	
Not later than one year	18.4	16.3	19.3
Between one and five years	40.3	33.2	29.7
Later than five years	10.1	13.6	9.4
Total	**68.8**	**63.1**	**58.4**

Obligations under rental and lease agreements decreased by €4.7 million (-7.4%) from €63.1 million as of December 31, 2012 to €58.4 million as of December 31, 2013. The decrease of the rental and lease obligations was by €5.7 million (8.3%) to €63.1 million as of December 31, 2012, as compared to €68.8 million as of December 31, 2011.

As of December 31, 2013, purchase commitments amounted to €137.0 million. The decrease by €36.4 million (21.0%) from €173.4 million as of December 31, 2012 was mainly due to lower purchase commitments for a larger project. As of December 31, 2012, purchase commitments decreased by €176.0 million (50.4%) to €173.4 million, as compared to €349.4 million as of December 31, 2011. This decrease mainly resulted from less purchase commitments for a larger project.

Off-Balance Sheet Arrangements and Financial Commitments

Off-balance sheet items mainly include purchase commitments, performance guarantees, rental and lease obligations, advance payment guarantees as well as warranties. Purchase commitments amounted to €137.0 million in the fiscal year ended December 31, 2013 (2012: 173.4 million; 2011: €349.4 million), bank performance guarantees amounted to €106.3 million in the fiscal year ended December 31, 2013 (2012: 121.9 million; 2011: €110.4 million), rental and lease obligations amounted to €58.4 million in the fiscal year ended December 31, 2013 (2012: 63.1 million; 2011: €68.8 million), advanced payment guarantees amounted to €50.4 million in the fiscal year ended December 31, 2013 (2012: 52.2 million; 2011: €58.2 million) and warranties amounted to €42.9 million in the fiscal year ended December 31, 2013 (2012: 43.0 million; 2011: €52.3 million).

We utilized bank guarantee lines of GEA AG and also arranged for the issue of GEA AG group guarantees in favor of customers in fiscal year 2013. The obligations presented above have been combined and thus relate to contingent liabilities for which the primary debtors in the underlying transactions (*e.g.*, deliveries) are HX Group companies, and for which bank guarantee lines of GEA AG were utilized or GEA AG group guarantees were issued in favor of customers or lenders.

Any such bank guarantees and/or GEA AG group guarantees which have not been expired or released prior to the Completion Date, will be replaced by guarantees or any indemnity claims of the providers of such guarantees will be secured by back-to-back guarantees, in each case issued under the €400.0 million Senior Guarantee Facility Agreement. We expect a substantial amount to be utilized under the Senior Guarantee Facility on the Completion Date.

Quantitative and Qualitative Disclosure of Market Risks

Currency Risk

Since we operate internationally, our cash flows are denominated not only in euro, but also in a number of other currencies, particularly U.S. dollars and Chinese remninbi. Hedging the resulting currency risk is a key element of risk management.

Until December 31, 2013, the GEA Group's guidelines applied to the HX Group companies pursuant to which these companies were required to hedge foreign currency items as they came into existence in order to fix prices on the basis of hedging rates. Currency risks are hedged for hedged items recognized in the balance sheet, unrecognized firm commitments, and highly probable forecast transactions. The hedging periods are determined by the maturity of the hedged items and are usually up to 12 months, but in exceptional cases may exceed that period significantly. Despite the hedging requirement, changes in exchange rates may affect sales opportunities outside the Eurozone.

Prior to January 1, 2014, HX Group companies based in the Eurozone were obliged to tender to GEA AG's central finance unit all outstanding exposures relating to transactions in goods and services in major transaction currencies. Since January 1, 2014, HX Holding has been responsible for carrying out the hedging of foreign exchange risks of HX Group companies, but GEA AG's finance unit coordinates and acts for HX Holding as this central unit has not been established yet. It is anticipated that the central unit will be established prior to the Completion Date of the Acquisition.

Most of the foreign currency exposures are passed on directly to banks at matching maturities, depending on the hedging objective of the derivatives and the related accounting treatment. At the same time, corresponding derivative transactions are entered into between HX Holding (prior to January 1, 2014: GEA AG) and the company concerned. They may also be hedged as part of a portfolio. The hedging of financial transactions and transactions conducted by HX Group companies is closely coordinated with the GEA AG's central finance unit, except for companies located in countries with exchange control regulations.

Interest Rate Risk

Historically, we have mainly raised and invested liquidity through internal group cash pools and internal loans from or to GEA AG. Interest rate risk was managed by GEA AG. We may enter into customary hedging agreements for the Senior Secured Floating Rate Notes and the Senior Facilities.

Commodity Price Risk

As part of our operating activities, we require various raw materials, whose purchase prices can be subject to substantial fluctuations depending on the market situation. Long-term supply agreements have been entered into with various suppliers in order to reduce commodity price risk. Raw materials, such as various metals and energy used in our production processes represent a significant portion of our material expenses. See "*—Selected Key Factors Affecting Our Results of Operations and Financial Condition—Costs for commodities, energy and intermediate products*" We generally manage risks from fluctuating raw material prices by entering into supply agreements covering significant portions of our expected raw material requirements typically for periods between two and four months. However, deviations are likely and, depending on the business needs of each legal entity (*e.g.*, in our project business periods from three to six months apply for most mid-sized projects), are observable. Similarly, we manage risks in connection with fluctuating energy prices by entering into supply agreements for significant portions of our expected energy requirements for periods typically between twelve and 36 months and by maintaining the ability in several of our production processes to use different types of combustibles. Generally, we do not use financial derivatives to hedge against risks from fluctuating raw material and energy prices.

Credit Risk

Financial instruments are exposed to credit risk in that the other party to the contract may fail to fulfill its obligations. The counterparty limit system used by the GEA Group for financial management, in which the HX Group companies are included, aims to continuously assess and manage the counterparty default risk. A maximum risk limit has been defined for each counterparty, which in most cases is derived from the ratings from recognized credit rating agencies and credit default swaps (CDSs). Appropriate action is taken if the individual limit is exceeded.

The financial standing of potential customers is ascertained by GEA AG's financial management before orders are accepted using an internal risk board procedure. Active receivables management, including non-recourse factoring and credit insurance, is also being performed. In the case of export transactions, confirmed and unconfirmed letters of credit could be used alongside sureties, guarantees, and cover notes, including from export credit agencies such as Euler Hermes. In addition to local monitoring by the HX Group company in question, GEA AG also oversees the main credit risks at the GEA Group management level so that any accumulation of risk can be more efficiently managed. The HX Group pays a management fee compensating the GEA AG, among others, for these credit risk services. HX intends to establish these functions in the mid-term on its own. Since trade receivables are usually due from a large number of customers in different sectors and regions, there is no concentration of risk. Valuation allowances take account of specific credit risks.

The maximum exposure for the financial assets is limited to their carrying amount.

Liquidity Risk

We are exposed to liquidity risk in that we may be unable to meet payment obligations because of insufficient cash funds at our disposal.

Prior to the consummation of the Transactions, GEA AG is responsible for managing this risk. Cash funds were arranged and credit lines managed on the basis of a multi-year financial plan and a rolling month-by-month cash forecast. The funds were then made available by GEA AG based on the forecast for the HX Group companies. Cash flow from operating activities was the most important source of liquidity. In order to optimize borrowing and the use of cash funds within the GEA Group, it has established cash pools in various countries, in which the HX Group companies participated until December 31, 2013. To achieve this, the cash pools automatically balanced the accounts of the participating companies every day by crediting or debiting a target account. This prevented separate cash investments and borrowings by these companies to a large extent. Any additional liquidity requirements were generally borrowed by the GEA AG, which also invests surplus liquidity.

Since January 1, 2014, we have been responsible for managing the liquidity risk and our management largely follows the management methods by GEA AG described above. Cash pools have been established within the HX Group as of January 1, 2014 in order to optimize borrowing and the use of cash funds within the HX Group. For further information on the cash pools, see "*Description of Certain Financing Arrangements—Cash Pool.*"

With respect to the new financing relating to the time following the completion of the Offerings, see "*Description of Certain Financing Arrangements—Senior Revolving Credit Facility Agreement.*"

Foreign currency sensitivity analysis

HX Group companies are exposed to foreign currency risk if their cash flows are denominated in a currency other than their own functional currency. HX Group policies generally require foreign currency risk to be hedged using suitable instruments, thus largely offsetting fluctuations arising from the hedged item and the hedging transaction over their term.

The foreign currency risk presented in the sensitivity analysis results from the following transactions:

- Currency derivatives that are included in hedging relationships for previously unrecognized hedged items, including contractually agreed or expected transactions. As these hedging relationships are regularly documented as such and presented as cash flow hedges, only equity is affected by exchange rate risk.
- Unsecured foreign currency transactions. The translation of foreign currency receivables or liabilities at the closing rate has a direct effect on earnings.

The currency pairs in which the major portion of the foreign currency cash flows is settled are included as relevant risk variables in the foreign currency sensitivity analysis. The following table shows the sensitivity of a 10 percent increase or decrease in the relevant foreign currency in relation to the relevant base currency from the HX Group's perspective for the year ended December 31, 2013:

Base currency	Foreign currency	Nominal amount	Profit/loss for the year + 10%	Profit/loss for the year -10%	Equity +10%	Equity -10%
				(in € thousand)		
EUR	USD	62,619	(11)	13	(992)	1,211
USD	CNY	30,858	—	—	(1,558)	1,903
EUR	CNY	23,261	—	—	(1,586)	1,939
EUR	PLN	3,942	(358)	438	—	—
EUR	RUB	3,182	(289)	354	—	—
EUR	INR	2,853	(259)	317	—	—

The nominal amount relates to all contractually agreed foreign currency cash flows as of December 31, 2013, which are translated into euros at the closing rate.

The potential fluctuations in the profit or loss for the year result primarily from unhedged currency risk.

Critical Accounting Policies and Estimates

The notes to the combined financial statements included elsewhere in this offering memorandum include a detailed description of the accounting policies for the HX Group. The significant critical accounting policies and estimates affecting the HX Group are described below.

The preparation of the IFRS combined financial statements requires the HX Group management to make certain estimates and assumptions that may affect the reported amount of assets, liabilities, provisions, deferred tax assets and liabilities, income and expenses, contingent liabilities and other obligations. The main estimates and assumptions relate to the following:

- definition of the basis of consolidation and the composition of the HX Group (see "*—Presentation of Financial Information and Factors Affecting Comparability—Scope of the Combined Financial Statements*");
- assessment of goodwill and other assets for impairment;
- calculation of tax liabilities: the HX Group operates in a large number of countries and is therefore subject to different tax jurisdictions. Calculating tax liabilities requires management to make various estimates; and
- assessment of and accounting for provisions and contingent liabilities.

All estimates and assumptions are based on current circumstances and appraisals. Forward-looking estimates and assumptions made as of the balance sheet date with a view to future business performance take account of circumstances prevailing on preparation of the combined financial statements and future trends considered realistic for the global and industry environment. Actual amounts can vary from the estimated amounts due to changes in the operating environment that are at variance with the assumptions and beyond management control. If such changes occur, the assumptions and, if necessary, the carrying amounts of affected assets and liabilities are revised accordingly. At the time the combined financial statements were prepared, there was no evidence of any need for significant change in their underlying estimates and assumptions.

INDUSTRY

Generally, the market information presented below in this section is taken or derived from the cited sources. It is based on market research, which itself is based on sampling and subjective judgments by both the researchers and respondents, including judgments about what types of products and competitors should be included in the relevant market. In addition, certain statements below are based on our own proprietary information, insights, subjective opinions or unsubstantiated estimates, and not on any third party or independent source; these statements contain words such as "we estimate," "we expect," "we believe" or "in our view," and as such do not purport to cite to or summarize any third-party or independent source and should not be so read. Some market data is inherently forward-looking and subject to uncertainty and does not necessarily reflect actual market conditions. You should read the following discussion together with the sections entitled "Industry and Market Information," "Risk Factors," "Business" and "Disclosure Regarding Forward-Looking Statements."

Introduction to the Heat Exchanger Industry: Heat Exchanger Types

A heat exchanger is a device used for heat transfer from one medium to another, without mixing the two media. Heat exchangers are used across a broad range of applications, including power, oil and gas, food and beverages, heating, ventilation, air conditioning ("HVAC"), marine, chemicals and other industries. Heat exchange plays a crucial role in thermal processes across all industrial applications, with no other technology currently capable of supplanting the basic principle of thermal transfer. An important commercial feature of heat exchangers is that they typically represent only a small portion of the total cost of customers' machinery and equipment, but have a high value impact as they are important in maintaining optimal temperatures for industrial processes. For example, heat exchangers prevent machines from overheating, which could result in significant and costly downtime in production processes. Heat exchangers typically use either a liquid medium, where water or another liquid is used to cool or heat the fluid flowing through, or air media, where air is used as the cooling or heating medium. Examples of liquid cooled heat exchangers include shell and tube heat exchangers and plate heat exchangers, while examples of air-cooled heat exchangers include air fin coolers, radiators and condensers. Heat exchangers frequently need to operate in difficult environments, including a broad range of temperatures (from -200°C to +900°C) and pressures (from -1 bar to +800 bar), as well as needing to be resistant to corrosion, fouling and scaling. Because of this range of requirements, heat exchangers are technologically advanced products that require sophisticated engineering capabilities. The key parameters which differentiate heat exchangers are temperature and flow of heat, which are in turn determined by the material characteristics such as thermal conductivity, density, specific heat, fluid viscosity, fluid velocity and surface emissivity, as well as gas characteristics.

From a technology perspective, there are four basic types of heat exchangers/heat removal devices: shell and tube heat exchangers, plate heat exchangers, finned tube heat exchangers and cooling towers.

Shell and tube heat exchangers consist of a pressure vessel known as a "shell," with a bundle of tubes inside it. One fluid runs through the tubes, while another flows over the tubes within the shell, to transfer heat between the two fluids. Shell and tube heat exchangers are widely used because of the high flexibility in allowing for a broad range of pressures and temperatures. The key applications for shell and tube heat exchangers include oil and gas, petrochemical, power and marine applications.

Plate heat exchangers consist of a frame that holds together a number of metal plates that are either sealed by gaskets, or brazed or welded together. Hot and cold fluids enter the heat exchanger via separate ports, and flow in the alternate channels that are formed by a pair of plates. The key advantage offered by plate heat exchangers is that the fluids are spread out over the plates and therefore exposed to a larger surface area, which facilitates the transfer of heat. Plate heat exchangers have a wide range of applications, including HVAC, food and beverages, industrial and oil and gas applications.

In a *finned tube heat exchanger*, fins are attached to tubes to increase the surface area that the cooling media is exposed to, thereby increasing the efficiency of heat transfer. The key applications for finned tube heat exchangers are diverse and depend on the specific product. Key applications broadly include oil and gas, refrigeration (for food and beverages), power and HVAC applications.

Cooling towers are heat removal devices used to transfer unnecessary heat from process media to the atmosphere, using either the principle of evaporative cooling (wet cooling towers) or a closed circuit cooling tower where there is no direct contact between the process media and cooling air (dry cooling towers). Cooling towers are primarily used for power applications and, to some extent, other process applications such as chemicals and oil and gas.

The choice for a particular type of heat exchanger depends on the type of application and the characteristics of the site (*e.g.*, dry cooling is particularly relevant in arid areas, where water is scarce) and has a direct impact on the operational cost of the application. While shell and tube exchangers currently represent the largest product segment in the global market for heat exchangers (approximately 52% of the heat exchangers consumed globally in 2012, according to the report "Heat Exchanger Market – Global Trends & Forecasts to 2018," published by MarketsandMarkets, Dallas, Texas, United States ("M&M") in July 2013, (the "M&M Report")) and are popular owing to their flexibility and application in a wide range of environments characterized by different pressures and temperatures, the segment for plate heat exchangers is presently growing rapidly, in part as a result of energy efficiency concerns.

The table below shows the four main technologies for heat exchangers, which are used in our business units. The Air Treatment business unit is not shown below because it does not produce heat exchangers, but rather fully-developed products for HVAC applications, which in turn use heat exchangers among other equipment.

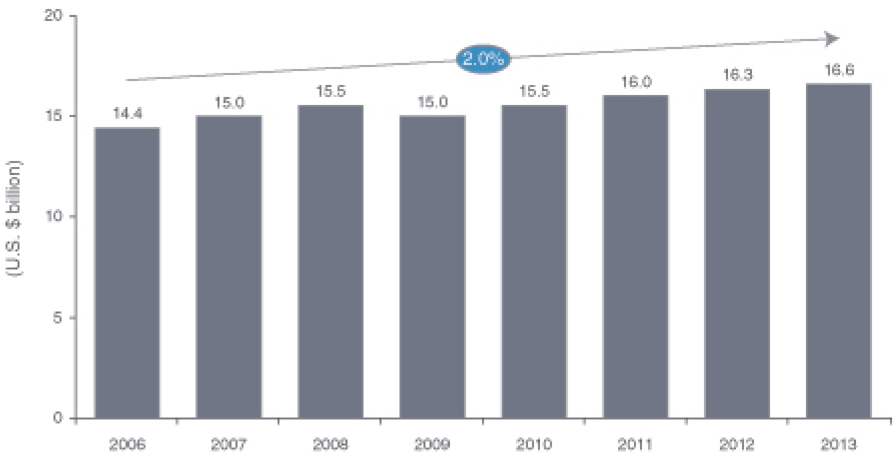
Product Types	Shell & Tube Heat Exchanger	Plate Heat Exchanger	Finned Tube Heat Exchanger	Cooling Tower
HX BUs	Shell & Tube 	PHE 	AFC Single Tube  AFC Compact Systems  ACC/Heller 	Wet Cooling  ACC/Heller 

Development of the Global Heat Exchanger Market

The scope and methodology used for defining the heat exchanger market varies among different market research companies. Global Industry Analysts, Inc., San Jose, California, United States ("GIA"), estimated in its study "Heat Exchangers – A Global Strategic Business Report," published in April 2014 (the "GIA Report") that the size of the global heat exchanger market in 2014 is U.S. $16.6 billion, while the M&M Report estimated the size of the global heat exchanger market in 2013 to be U.S. $13.9 billion (on the basis of forecast figures for 2013).

As heat exchangers are crucial in many thermal processes, demand for heat exchangers is linked to demand for its applications across various end-markets. In addition to the development of the underlying market overall, heat exchanger demand is also affected by the heat exchanger intensity per application, driven by a broad range of factors as described below under "—*Market and Industry Characteristics.*" Heat exchanger intensity quantifies the extent to which heat exchangers are used in a specific application—it measures the heat exchanger monetary investment for a given application type (for example, calculated as U.S. dollar/euro investment for heat exchangers per square meter of retail space, or U.S. dollar/euro investment for heat exchangers per million tons per year of output capacity for a natural gas liquefaction plant). Growing heat exchanger intensity indicates that either more or higher-value heat exchangers will be used in an application.

The following chart shows the development of heat exchanger demand (in U.S. $)for the periods shown:



Source: GIA Report

The GIA Report and the M&M Report estimate that the future rate of growth in global heat exchanger demand will be higher than the historical growth rate.

Market and Industry Characteristics

The global heat exchanger market is characterized by the following trends and features:

Demand for heat exchangers supported by global trends

A number of global trends support the dynamics of the heat exchanger industry. Population growth, especially in emerging markets, drives demand in several key end-industries for heat exchangers; including through rising demand for more sophisticated energy and oil and gas derivatives. Urbanization, industrialization and rising wealth drive investments in energy, construction and infrastructure as well as demand for HVAC applications and frozen/chilled food. In particular, densely-populated regions such as parts of China, India and Brazil have exhibited substantial growth in the manufacturing and process industries, many of which create demand for heat exchangers.

In addition, a combination of cost and regulatory factors has created a global drive towards energy efficiency, which supports replacement demand for the existing installed base: Rising energy costs and ecological awareness increase demand for energy-efficient heat exchangers to replace less energy-efficient systems and reduce electricity costs. The M&M Report sees a particular driver in the demand for energy-efficient equipment by energy-intensive consumers such as chemical and pharmaceutical manufacturers, food and beverages processing plants, the oil and gas industry and the marine industry. In addition, new energy-saving applications for heat exchangers, such as waste heat recovery systems, have become increasingly important. The requirement by end-customers for products that reduce costs and limit environmental emissions necessitates technological improvements. Among other technological advances, the M&M Report emphasizes improvements relating to plate heat exchangers, enabling the use of cheaper pressed plates that are affected by corrosion, which decreases the frequency of replacement and the development of self-cleaning heat exchange technology to avoid fouling (see also "*—Technological developments and innovation opportunities in the heat exchanger industry*"). In addition, according to the GIA Report, growing end-user awareness of the energy recovery benefits is triggering increased usage of compact heat exchangers, especially in gas processing, petrochemicals and fuel refining plants, as pressure on companies rises to tighten their environmental strategies and reduce energy consumption. Pilot installations at plants indicate the ability of compact heat exchangers to yield a 30% increase in heat recovery as compared to traditional shell and tube heat exchangers. One of the key reasons attributed to the superior thermal efficiency of compact heat exchangers is their ability to trigger higher fluid turbulence than shell and tube heat exchangers at the same flow velocity according to the GIA report.

Regulatory changes continue to open up new markets. For example, new NOx emission limits for off-road diesel engines in many jurisdictions, including standards enacted by the U.S. Environmental Protection Agency ("EPA") and various U.S. state agencies in an effort to reduce the impact of certain emissions on the environment and public health, the planned Tier III regulations of the International Marine Organization ("IMO") on NOx emissions, the more stringent proposed EPA regulation on ash handling and disposal in the United States, and more stringent regulations on ozone-depleting substances in the area of refrigeration and air conditioning drive the demand for new products to comply with the regulations. In particular, as from 2015, the use of Fluor-based refrigerants is expected to be restricted in certain regions, including the ozone-depleting refrigerant gas R22, in refrigeration, heat pump and air conditioning systems pursuant to EU regulations, a change that requires the replacement of many older systems.

Persistent technology with limited substitution options

The principle of thermal heat transfer is constant despite changes in end-market applications. The continued demand for heat exchangers is therefore to some extent insulated from major technological shifts in the underlying markets. For example, in recent years, coal-fired power has lost share to renewables and other technologies. However, there is continuing demand for heat exchangers, as these products are also required for wind, solar, tidal and biomass power generation. Gas-fired power plants are increasingly deployed as a back-up source for those renewable energy sources, such as wind turbines and other applications that are dependent on weather conditions.

Diversified exposure across end-markets and resilience to economic cycles

Heat exchangers are required across a broad range of applications in several end-markets, and the heat exchanger market is therefore not dependent on any particular end-market. In addition, demand is diversified across the cycle, with a mix of end-users across industries that tend to be impacted early in any economic cycle (such as chemicals and oil and gas) and industries that tend to be impacted mid-cycle or late in the economic cycle (such as food and beverages and power and marine, respectively). This diversification improves the resilience of the heat exchanger industry to any individual economic cycle.

Mission-critical character of heat exchangers in many end-market applications

An important characteristic of heat exchangers is their mission-critical nature while being relatively low-cost in comparison to the cost of the full system. For example, transformer oil water coolers typically cost around 3-5% of the total transformer cost, but there is a significant cost of downtime if a heat exchanger malfunctions, in the form of a destroyed transformer and lost electricity sales. The same applies to gas cooling equipment in liquefied natural gas ("LNG") plants: while cooling equipment generally accounts for less than 1% of the total LNG plant investment, it is key equipment in the gas liquefaction process and can cause multi-million dollar losses in case of a heat exchanger malfunction. This "low investment, high impact" nature encourages many customers to prefer well-known products and brands rather than switching to low-cost competitors.

High fragmentation with only a few global competitors offering comprehensive product portfolios

The global heat exchanger market is generally characterized by high fragmentation, with a large number of local and specialized producers across different heat exchanger types and only a few global market participants offering a more comprehensive product portfolio. This is partially because of highly differentiated technological know-how required across the different product categories, as well as barriers to entry in certain segments. These barriers to entry include brand name, the need to establish relationships with engineering, procurement and construction firms ("EPC") and OEMs, the need for local manufacturing capabilities and the requirement to have guarantee facilities in place. For more information, see "*—Competition.*"

Technological developments and innovation opportunities in the heat exchanger industry

According to the GIA Report, innovations in the heat exchanger industry continue to focus on challenges such as increasing energy efficiency, reducing total ownership cost, increasing durability and efficiency of heat exchangers and reducing vibration-induced premature failures. Another continuing challenge to the industry, as mentioned in the M&M Report, is to address the problem of fouling, defined as the situation in which unwanted materials—such as suspended solids and insoluble salts—from process steam accumulate on the internal and external surface of heat exchangers, which reduces the rate of heat transfer and increases the pressure drop. Fouling problems have a large impact on the choice of construction materials of heat exchangers and, in turn, substantially affect the cost of the product. Fouling is also one of the major reasons for the shift of the market from shell and tube heat exchangers to gasketed plate and frame heat exchangers, which are easier to clean.

Furthermore, among the major challenges that the heat exchanger industry is currently facing are both the availability and rising prices of raw materials, such as aluminum, copper, carbon steel, stainless steel and titanium used to manufacture heat exchangers. See also "*Risk Factors—Risks Relating to the Market and our Business—We depend on raw material prices, energy costs and prices for input materials and intermediate products, increases of which lead to the increase in manufacturing or purchasing costs that we may not be able to pass on to our customers fully or at all. This may lead to declining margins and profits.*"

Replacement, maintenance and aftermarket opportunities

In terms of geographical markets, Europe is the largest regional market for heat exchangers, followed by Asia Pacific (excluding Japan) and the North American market. Europe is characterized as a mature market and North America is considered to have achieved a certain maturity, whereas Asia Pacific has shown strong growth in the past few years. Recent years have witnessed a shift in demand from developed to emerging markets, and thus emerging countries and regions such as Asia Pacific, Latin America and the Middle East are generally expected to grow substantially, albeit from a lower installed base.

Market Development by Region

In terms of geographical markets, Europe is the largest regional market for heat exchangers, followed by North America and the Asia Pacific market. While Europe is characterized as a mature market, North America is considered to have achieved a certain maturity, whereas Asia Pacific has shown strong growth in the past few years. The last years have witnessed a shift in demand from developed to emerging markets, and thus emerging countries and regions such as Asia Pacific, Latin America and the Middle East are generally expected to grow substantially, albeit from a lower installed base.

Europe

The GIA Report estimates that the European global heat exchanger market size was U.S. $4.52 billion in 2013, making it the largest regional market globally. This compares to a 2011 market size of U.S. $4.57 billion, implying a CAGR of approximately -0.5% for this period (the M&M Report shows a 2011-2013 CAGR of approximately 4.0%). According to the GIA Report, the moderate decline in this region was relatively balanced across all major end-markets between 2011 and 2013, driven by the overall economic environment related to the European financial crisis and the subsequent contraction in manufacturing and industrial activity. The chemicals industry, representing the largest end-market segment in Europe, declined with a CAGR of -0.6% during this period. From 2013 onwards, GIA expects the European market to recover, with Russia being the fastest growing region. According to GIA, the largest regional market within Europe is Germany, while the largest product segment is plate heat exchangers.

Asia Pacific

The GIA Report estimates that the Asia Pacific global heat exchanger market size (excluding Japan) was U.S. $4.02 billion in 2013, making it the second largest regional market globally. This compares to a 2011 market size for Asia Pacific (excluding Japan) of U.S. $3.69 billion, implying a CAGR of 4.4% for this period (the M&M Report shows a 2011-2013 CAGR of 10.5% (excluding Japan)). According to the GIA Report, sales growth in the region was relatively balanced across all major end-markets between 2011 and 2013, with chemicals, the largest end-market segment by far in Asia Pacific, and power exhibiting the highest growth rates during this period. The largest regional market within Asia Pacific is China, which is emerging as one of the largest heat exchanger markets worldwide, while the largest product segment is shell and tube heat exchangers.

The GIA Report further estimates that the Japanese heat exchanger market size was U.S. $1.69 billion in 2013, compared to a 2011 market size of $1.63 billion. According to the GIA Report, shell and tube heat exchangers represent the largest product segment in Japan, while the plate and frame heat exchangers segment is the second largest segment and is growing the fastest. The largest end-market for heat exchanges in Japan is the chemicals end-market, which showed moderate but stable growth during this period.

North America

The GIA Report estimates that the North American heat exchanger market size was U.S. $3.65 billion in 2013, compared to a 2011 market size of U.S. $3.65 billion, implying a CAGR of -0.1% for the 2011-2013 period (the M&M Report shows a 2011-2013 CAGR of 3.8%). According to the GIA Report, the largest heat exchanger end-market in North America, which was also the fastest growing end-market segment in the region during this period, was HVAC and refrigeration applications (climate and environment). Over the same time period, the oil and gas, power and chemicals end-markets declined, resulting in the overall stagnating market development. The largest product segment in the region is air-cooled heat exchangers.

Latin America

The GIA Report estimates that the Latin American heat exchanger market size was U.S. \$1.63 billion in 2013 compared to a 2011 market size of U.S. \$1.51 billion, implying a CAGR of 3.6% (the M&M Report shows a 2011-2013 CAGR of 7.8%). According to the GIA Report, the sales growth development was generally balanced across all major end-markets (the largest of which is chemicals) between 2011 and 2013, with power, HVAC and refrigeration (climate and environment) and oil and gas applications exhibiting the highest growth rates during the period. The largest regional market within Latin America is Brazil, while the largest product segment is shell and tube heat exchangers, with the plate heat exchanger segment growing quickly.

Rest of World

With respect to other regions, the M&M Report identifies the Middle East as a large consumer with approximately U.S. \$974 million in estimated revenue for 2013.

Heat Exchanger Demand in Key Industries

Heat exchangers are used in processes across a diverse range of industries. The major end-industries for the global heat exchanger market are the following (percentages of the total heat exchanger market per industry, in terms of revenue, according to the M&M Report for 2012): chemical (27.5%), petrochemical and oil and gas (26.5%), HVAC and refrigeration (19.6%), food and beverages (11.1%), power generation (5.1%), pulp and paper (4.0%) and other industries. The major end-markets for HX follow a different split than that of the general market and mainly comprise the power, climate and environment, oil and gas, food and beverages, chemicals and the marine industry. The following is a description of the specific applications of our offering within each end-market, as well as growth expectations and certain key drivers of each end-market.

Power

The power industry is our largest end-customer industry and comprised approximately 30% of our revenue in 2013. Within our business units, ACCH has by far the largest exposure to the power industry (in terms of revenue), followed by S&T, WET and AFC-CS, while AFC-ST and PHE also have a sizeable exposure to this end-market. Our AT business unit does not have a significant exposure to the power industry, since its revenue is all classified as pertaining to the climate and environment end-market.

According to the M&M Report, the heat exchanger market segment for power applications accounted for approximately 5.1% of the global heat exchanger market in terms of revenue (or U.S. \$673 million) in 2012. Depending on the methodology (*e.g.*, with a bottom-up analysis by key application) a different market size for this segment could be assessed. Heat exchangers are used throughout the power industry, including power generation, transmission and distribution. Within power generation, heat exchangers are used in all of the major technologies, including coal, oil and gas, nuclear and renewable power (with and without steam cycle). Examples of products that we provide to the power industry include cooling towers, air pre-heaters, radiators/dry coolers, closed circuit coolers, heat recovery steam generators, transformer oil coolers and surface condensers. The route to market for new equipment tends to be via EPCs, while replacement products tend to be purchased directly by the owner/operators.

Generally, demand for electricity benefits from trends such as population growth, urbanization, industrialization and increasing wealth and output. The power market is a multiregional market, and therefore outlook differs by region and generation fuel type creating numerous growth opportunities and market niches. The power industry is making investments in underlying capacity additions in emerging markets (mostly in the Asia Pacific region) and investments in replacements in more mature markets like Europe and North America. In China, the ongoing expansion of coal-fired generation capacities is expected to shift more to the water-scarce northern regions, where dry cooling systems are the first technological choice. Connecting these more remote power plants to the energy-consuming southern and coastal area requires additional transmission and distribution equipment. In contrast, in Europe and North America, we expect stronger emphasis on replacement and maintenance of existing coal and gas-fired power plants as well as the associated transmission and distribution networks in the next years. With the rapid growth of the U.S. shale gas sector, significant new building activities in the field of gas-fired power generation are expected. Across regions, capacity additions in renewable power generation include niches such as biomass, geothermal and in some areas concentrated solar energy. With respect to nuclear energy (to which HX has currently only limited exposure, including *e.g.*, the refurbishment of circular and hybrid cooling towers for utilities in Europe and the supply of a Heller system for a nuclear power plant in Russia), 435 nuclear power reactors were in operation as of March 2014 globally, while an additional 72 reactors were under construction as of the same time according to the GIA Report.

Demand for heat exchangers depends not only on the underlying market growth, but also on the heat exchanger intensity per application. We expect heat exchanger intensity to grow across all fuel types (however, at decreasing rates) as well as transmission and distribution, primarily driven by the requirement for higher efficiency. For example, in gas-fired power, there is a trend towards the use of combined cycle power plants, which require more heat exchangers such as heat recovery steam generators. While renewable energy sources without a steam cycle are characterized by a relatively low heat exchanger intensity, many of these applications, such as wind turbines and photovoltaic applications, are dependent on weather conditions so that conventional back-up capacity remains necessary to ensure stable electricity supplies.

Climate and environment

The climate and environment industry comprised approximately 29% of our revenue in 2013. Our AT business unit operates almost exclusively in the climate and environment segment, while PHE has a significant exposure to this end-market and WET, AFC-CS and AFC-ST have more limited exposure to the climate and environment end-market. ACCH and S&T do not have meaningful exposure to the climate and environment industry.

The climate and environment industry is mainly related to the HVAC market and comprises the provision of fresh air, heating, cooling, humidity control, as well as pollution prevention, energy efficiency, self-sustainability and the trend towards "green building." We provide heat exchangers and complete applications for use in multiple HVAC applications, especially in the non-residential sector. Examples of products we provide for this market include air handling units, fan coil units, split units and filters. The route to market mostly tends to be via the construction and building planning sectors.

According to the M&M Report, the heat exchanger market segment for HVAC and refrigeration applications accounted for approximately 19.6% of the global heat exchanger market in terms of revenue (or U.S. $2.6 billion) in 2012. Depending on the methodology (*e.g.*, with a bottom-up analysis by key application) a different market size for this segment could be assessed. The HVAC market is closely linked to the underlying construction market, which slowed down during the global recession in 2009. Post-recession, key market drivers include, in our view, increasing wealth in emerging markets, new regulations to support growth, especially for energy-efficient buildings, and an increased demand for specialized HVAC applications, such as precision air conditioning in data centers, which have a high share of heat exchanger use. We expect heat exchanger intensity per application for this industry to exhibit moderate growth across our major product lines, driven by energy efficiency concerns and the EU Energy Efficiency Directive as well as increased demand for more sophisticated solutions.

Oil and gas

The oil and gas industry comprised approximately 19% of our revenue in 2013. Our AFC-ST business unit generates the largest portion of its revenue from the oil and gas end-market, while PHE has substantial exposure, and S&T, ACCH and WET have some exposure to this industry. AFC-CS and AT have rather limited exposure to the oil and gas industry. In the case of AT, although this business unit sells HVAC products for applications including oil and gas platforms, its revenue is all classified as pertaining to the climate and environment end-market.

According to the M&M Report, the heat exchanger market segment for petrochemical and oil and gas applications accounted for approximately 26.5% of the global heat exchanger market in terms of revenue (or U.S. $3.5 billion) in 2012. Heat exchangers are process-critical products across the whole oil and gas value chain, including upstream, midstream and downstream applications. We provide equipment for oil and gas exploration and production, gas pipeline compressor stations, refineries, LNG plants and gas-to-liquid plants. Similar to the power industry, the route to market for new equipment tends to be primarily via EPCs, with replacement products generally purchased directly by the owner/operators.

Oil and gas demand benefits from trends such as population growth, industrialization and rising wealth and output and is increasingly driven by emerging countries. To satisfy growing demand, new oil and gas production sites need to be developed, increasingly based offshore, *e.g.*, by expanding the share of technically challenging deep water drilling. To provide the necessary distribution, we expect that infrastructure pipeline networks will experience further growth, especially in emerging markets. Refining investments will benefit from replacements and upgrades of existing plants to meet higher fuel quality and production flexibility needs. In addition, we see further growth opportunities in connection with the expansion of natural gas liquefaction and regasification capacities, in particular in Asia Pacific and North America as shale gas reserves are expected to transform the United States into a gas exporting country. According to the GIA Report, by 2035, shale gas is projected to account for over 40% of total U.S. production of gas, a development that would require significant investments in infrastructure to process and transport natural gas. We expect heat exchanger intensity per application to increase, driven by a number of factors. For example, an increased share of offshore oil and gas exploration and production will require additional heat exchangers, which are smaller and lighter than those used in onshore production and have special anti-corrosion characteristics, given the more corrosive environment, lower available space and complex mounting and transportation considerations. In addition, because of the increasing flexibility required from refineries for different fuel types, such as jet fuel, petroleum, diesel, methanol, ethanol, ethylene and polypropylene, there is an increasing requirement for heat exchangers to cover wider operating ranges for heat and pressure applications.

Food and beverages

The food and beverages industry comprised approximately 9% of our revenue in 2013. Our business units with exposure to food and beverages are AFC-CS and PHE.WET, S&T, ACCH, AFC-ST and AT have only a limited or no exposure to the food and beverages industry.

According to the M&M Report, the heat exchanger market segment for food and beverages applications accounted for approximately 11.1% of the global heat exchanger market in terms of revenue (or U.S. $1.5 billion) in 2012 (whereby depending on the methodology, *e.g.*, with a bottom-up analysis by key application, a different market size for this segment could be assessed). Heat exchangers play a crucial role in maintaining the cold chain for food and beverages. Within the food and beverages industry, the key applications for heat exchangers include food processing, cold storage warehousing and food retail, where the products provided primarily include plate and finned tube heat exchangers.

The food processing and cold storage warehousing segments benefit from macro-economic and demographic trends such as population growth, increased standards of living and urbanization, especially in emerging markets,— and shifting consumption patterns towards processed food (chilled/frozen food and convenience food) worldwide. In emerging markets, recent growth in food consumption has been particularly strong, additionally supported by increasing focus on stricter adherence to the cold chain. Heat exchanger intensity per application tends to remain rather stable over time for food processing; therefore growth in this segment largely depends on underlying market growth. On the other hand, heat exchanger intensity exhibits moderate growth within cold storage warehousing, driven by increasing demand for more energy efficient solutions and environmental legislation such as the restrictions of emission of fluorinated gases. Within food retail, demand is driven by urbanization in emerging markets, with additional growth potential from increasing heat exchanger intensity as a result of demand for energy efficient solutions.

Chemicals

The chemical industry comprised approximately 5% of our revenue in 2013. Our business units with exposure to the chemical industry are S&T, AFC-ST, WET, PHE and ACCH. AT and AFC-CS have limited exposure to the chemical end-market.

In the global market for heat exchangers, chemical applications represent the largest end-market segment, accounting for approximately 27.5% of the global heat exchanger market in terms of revenue (or U.S. $3.6 billion) in 2012, according to the M&M Report, which also sees growth in the chemical industry as one of the driving factors for the global heat exchanger market expansion. Heat exchangers are used in the chemical industry for several applications, including the heating and cooling of base, intermediate and final products as well as heat recovery. Due to their high efficiency and operational safety impacts, heat exchangers are often a critical part of chemical production processes for this industry. Many of the heat exchangers used in the chemical industry are specialized and custom-made. Typical applications for heat exchangers in the chemical industry include the cooling and heating of acids and caustic solutions, cooling of extremely viscous products, condensation and tempering of solvents, cooling of water circuits, steam and multiple material mixtures and condensation of exhaust vapors.

Marine

The marine industry comprised approximately 4% of our revenue in 2013. Our business units with exposure to the marine end-market are AFC-CS, PHE and S&T. ACCH, AFC-ST and WET do not have meaningful exposure to the marine industry. Although the AT business unit sells HVAC products for the marine industry, its revenue is all classified as pertaining to the climate and environment end-market.

Heat exchangers are required across the marine industry, and are used to improve performance and economy of different ship types, with two main applications: in the engine room and for passenger air-conditioning. Within the engine room, which is the largest application in this industry, heat exchangers are used for the cooling/heating of the central engine, auxiliaries, fuel and lubricants, charge air and exhaust gas recirculation. While a larger part of the customer base within the industry comes from shipyards, suppliers/engine OEMs, as well as the ship operators also require heat exchangers. The shipbuilding industry was very significantly affected by the global economic downturn since mid-2008.

With respect to engine rooms, underlying growth in large marine engine production is largely correlated with large diesel engines for offshore vessels, while heat exchanger intensity is expected to be slightly reduced, since increasingly energy-efficient and fuel-saving engines require less cooling. On the other hand, due to regulations limiting emissions of mono-nitrogen oxides (NOx) that are currently expected to enter into force in 2016, such as the IMO Tier III NOx limits in Emission Control Areas and the U.S. EPA Tier 4 regulation, there is an expectation for an increasing requirement for exhaust gas recirculation (EGR) coolers. Heat exchanger intensity for passenger air-conditioning is expected to remain roughly stable.

Competition

The competitive landscape in the heat exchanger industry is fragmented (see "*—Market and Industry Characteristics—High fragmentation with only a few global competitors offering comprehensive product portfolios*") and varies significantly depending on the specific technology (shell and tube, plate, finned tube, cooling tower), business model (project, component), end-market and geography. Depending on the region and the type of heat exchanger, we compete with both large international as well as with numerous smaller regional and local competitors. The service business is primarily local. According to the GIA Report, European manufacturers are the largest participants in the global market owing to large domestic markets and domestic strength, although a large number of small competitors compete in most regional markets. The GIA Report sees cost-effective manufacturers from the Asia Pacific region creating price pressures in the European market. According to the same source, rising raw material prices and a price sensitive customer base are resulting in thinner profit margins for manufacturers, mainly because the ability to transfer increased cost of production to customers remains fairly limited. Given a recent increase in merger and acquisition activities by some of our competitors, consolidation is a further trend in the competitive environment of the heat exchanger market. Generally, key competitive factors in our industry are customer proximity, engineering competence and cost competitiveness.

Our main global competitors are Alfa Laval and SPX, as well as Hamon & Cie International SA, Mont-St-Guibert, Belgium ("Hamon"). We also compete with other larger companies in individual segments, such as Güntner GmbH & Co. KG, Fürstenfeldbruck, Germany ("Güntner") and Modine Manufacturing Company, Racine, Wisconsin, U.S. ("Modine") with respect to finned tube heat exchangers and Carrier Corp., Farmington, Connecticut, U.S. ("Carrier") and Trane Inc., Piscataway, New Jersey, U.S. ("Trane") regarding HVAC and air treatment products.

Our competitive position varies in the individual sub-markets for different types of heat exchangers and cooling towers. The following is a brief overview of competitive landscape for each of our business units:

	Finned Tube Heat Exchanger	Plate Heat Exchanger	Shell & Tube Heat Exchanger	Cooling Tower	HVAC/Air Treatment
HX	✓	✓	✓	✓	✓
Alfa Laval	✓	✓	✓		
SPX	✓	✓	✓	✓	
API Heat Transfer	✓	✓	✓		
Hamon	✓		✓	✓	
Güntner	✓				
Modine	✓				✓
Carrier					✓
Trane					✓

Shell and Tube

Our S&T business unit operates in selected niches, such as transformer cooling systems, steam power systems, machine cooling systems, petrochemical systems and a range of special applications. In these niches, there tends to be a focus on high quality standards; for example, the component is process-critical.

We believe we hold strong market positions across our S&T product portfolio, including as a market leader in transformer cooling systems (in particular in Europe) and machine cooling systems (with our offering being focused on Western Europe and Asia). Our key global competitors for shell and tube heat exchangers are Foster Wheeler AG, Luvata Oy (“Luvata”) and Unifin International Inc. (“Unifin”).

Plate Heat Exchangers

The market for plate heat exchangers is relatively consolidated across all technologies (welded, gasketed, brazed), with the market leader Alfa Laval having a significantly higher market share than other competitors. The largest market segments in terms of absolute size relate to gasketed and brazed plate heat exchangers. The market segment for welded plate heat exchangers faces lower competition as a result of the high degree of customization and often more demanding application requirements. The market segment for gasketed plate heat exchangers, which often require a lower degree of customization and are used for a broader range of applications, faces more competition than welded plate heat exchangers. Brazed plate heat exchangers are viewed as commodity products sold for lower prices, and therefore also face a higher degree of competition than welded plate heat exchangers.

We believe that we are among the top four competitors globally through our PHE business segment, with Alfa Laval accounting for over half of the market. Our market position differs by product line (gasketed, brazed and welded plate heat exchangers). Our other key competitors in this segment are Hisaka Works Ltd. (“Hisaka”), Sondex Holding A/S (“Sondex”), SPX (through its APV brand) and SWEP International AB, Landskrona, Sweden (“SWEP”).

Air Treatment

Our AT business unit operates in a very fragmented competitive landscape for air handling units and decentralized units, while the market segments for close control and filters are in some parts more consolidated in nature. The market segment for air handling units tends to be relatively localized because of logistical considerations, given the size of the products, which contributes to the market fragmentation across regions.

We believe that AT is among the top five leaders in the European market and among the top three market leaders in each of AT’s air handling unit and decentralized unit product lines, both for non-residential applications. Our key competitors within air handling units are Centrotec Sustainable AG, Fläkt Woods Group SA, Systemair AB and Trane, while our key competitors for decentralized units are Aermec S.p.A., Carrier, Trane and York International Corporation. While we believe we are among the market leaders for close control units in the United Kingdom, we hold weaker market positions in this product segment globally, where the market segment is led by competitors such as Emerson Climate Technologies Incorporated and Stulz S.p.A., and in filters, where specialists such as Donaldson Company Inc., Camfil Farr Inc. and AAF McQuay Group Inc. hold leading positions.

AFC Compact Systems

Our AFC-CS business unit covers machine cooling and refrigeration applications. Within machine cooling, there are fewer global competitors, as well as a larger universe of smaller, local competitors. Requirements to win further business in this segment include established relationships with customers, as well as brand name and a list of references. Within the refrigeration application segment, the market tends to be more fragmented, especially across different regions given the heterogeneous product requirements. Local presence and ability to offer competitive prices are important factors in terms of winning business from customers.

We believe that AFC-CS is among the top three leaders in refrigeration applications globally, and is among the market leaders in relevant segments of machine cooling applications. Our key competitors in refrigeration are Alfa Laval, Güntner, Heatcraft Inc. and LU-VE S.p.A. Our key competitors in machine cooling are Luvata, Mahle GmbH, Modine, Sterling Thermal Technology Ltd., Unifin and Vestas Industrial Cooling A/S.

AFC Single Tube

Our AFC-ST business unit conducts both project and component businesses, both of which operate in highly fragmented market segments. The project business faces competition from global competitors, especially low cost focused Asian competitors. Design and engineering capabilities, as well as a global production and service network, are important success factors in the projects business. The component business has a large number of competitors in fragmented end-markets; these companies are mainly medium-sized, local producers.

We believe that AFC-ST enjoys a top three market position globally, and in particular in its project business. With respect to the project business, our key competitors are Hamon, Hudson Products Holdings Inc., Korea Heat Exchanger Industrial Co. Ltd. and S&T Corporation. Within the component business, our competitors vary depending on the end-market, region and product.

ACC/Heller

Our ACCH business unit operates in markets where participants need to have advanced technological know-how and engineering capabilities in order to deliver dry cooling solutions. In addition, market participants need to have significant financial resources and guarantee facilities in order to participate in tender processes for new projects. As a result, there are few global competitors present in the finned tube heat exchanger and cooling tower markets, in addition to a small number of Chinese competitors that deliver solutions exclusively to the local market.

We believe that HX is among the market leaders, co-leaders or close followers across its ACCH portfolio, including air-cooled condensers and indirect dry cooling solutions. ACCH’s global competitors are Evapco Inc. (“Evapco”), Hamon, SPIG S.p.A. and SPX.

Wet Cooling

Similar to ACCH, our WET business unit participates in projects where engineering capabilities, financial strength/guarantees and global manufacturing and sales presence are required in order for competitors to be successful. As a result, a few competitors have the required credentials to be global competitors in this market. Competition among these competitors is intense, and is increasingly being driven by emerging markets competitors, partially because new power stations are primarily being built in these regions.

We believe WET holds a top seven position in the global market for cooling towers. Our key competitors are SPX, Hamon, Paharpur Cooling Towers Ltd., SPIG S.p.A. and Baltimore Air Coil Company Inc.

BUSINESS

Our Company

We are a leading global manufacturer of heat exchangers for industrial applications. We believe we are among the leading manufacturers in many of our core products. Our six main end-markets are power, climate and environment, oil and gas, food and beverages, chemicals and marine. In those markets we service a broad, diversified and long-standing customer base in more than 130 countries. We consider ourselves well-positioned to capture growth opportunities across global growth regions by leveraging our leading market positions, broad product portfolio, our global manufacturing footprint and dense sales/service network. We are headquartered in Bochum, Germany. In the twelve months ended March 31, 2014, we generated €1,482.4 million in revenue and €154.4 million of Adjusted EBITDA (as defined herein).

We operate through seven operational business units, each with dedicated management teams responsible for their respective markets and applications. Each of the business units focuses on a distinct technology and product portfolio. The business units are Shell & Tube (“S&T”), Plate Heat Exchangers (“PHE”), Air Treatment (“AT”), AFC Compact Systems (“AFC-CS”), AFC Single Tube (“AFC-ST”), ACC/Heller (“ACCH”) and Wet Cooling (“WET”). Each of our business units enjoys strong positions in its respective markets and applications.

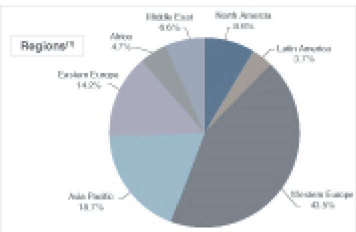
Through our seven operational business units we offer an array of various high-quality products from air-conditioning systems for non-residential use to large and highly engineered industrial heat exchanger applications, such as cooling equipment for power plants. While working closely with our customers, we develop customized solutions for numerous tailored applications. Heat exchangers are essential in many industrial processes as they are important in maintaining optimal temperatures for industrial processes and, for example, prevent machines from overheating, thus avoiding significant costly downtimes of our customers’ production processes. The cost of our process-critical products is typically only a small portion of the total cost of customers’ machinery and equipment. We are involved in all aspects of the lifecycle of heat exchangers from project and component design, manufacturing, sales and delivery to providing engineering and post-sale services.

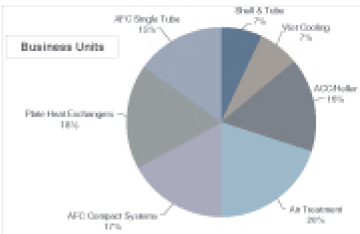
We derived 67.9% of our revenue from the sale of components and service agreements (our component business) and 32.1% from construction contracts (our project business) in the year ended December 31, 2013. The component business, where typical order sizes can range from €10 to €500,000, offers a large and diversified installed base, recurring revenues, flexibility in production, quicker turnover and higher relative profitability. Certain areas of our project business allow us to expand into growth markets and increase our installed base for future service. With respect to our large projects, the order sizes range typically between €10 million and €50 million. Certain areas of our project business also benefit from lower working capital requirements, as we typically require prepayments from our customers. Our service activities include traditional recurring service but also refurbishment and reconditioning of cooling towers and other applications.

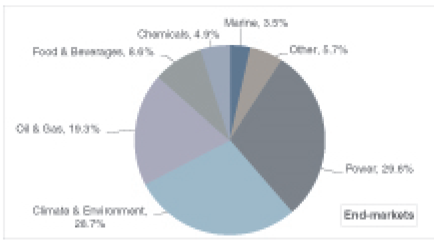
We distribute our products throughout our markets under a number of different product brands, many of which have long-established heritage and are well-known to our customers. Those brands include, among others: Renzmann, Ecoflex, Denco, Küba, Batignolles, EGI and Polacel. The GEA brand is generally of lesser importance to our customers in many regions, which we believe will facilitate a smoother separation from the GEA Group (for more information see “*Business —Intellectual Property—Trademarks*”).

We are present on five continents with sales offices and manufacturing sites except for Australia, where we operate through sales agents. We operate 50 manufacturing sites (including production and service and assembly sites, but excluding joint ventures) and 232 sales offices (including sales partners) across the globe.

The following charts illustrate the breakdown of our sales in the year ended December 31, 2013 by business unit, by region and by end-customer markets (on the basis of combined financial statements):







(1) Please refer to note 1 to the second table under “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Comparison of the Financial Years Ended December 31, 2012 and 2013—Revenue by region.*”

Our Competitive Strengths

Leading positions in attractive growth markets

We believe we are the only global dedicated heat exchanger manufacturer holding leading positions across many of our key end-markets. We also believe our business units are positioned among the leading or major competitors in the respective sub-markets or regions in which they compete. In contrast to our broad product coverage, most of our key competitors are only present in certain product or geographical segments. According to our own research, we believe that, on a global basis, our ACCH business unit is among the market leaders in the air-cooled condensers business and we are among the top four competitors in plate heat exchangers in terms of market share measured by revenue. In addition, we believe we hold a top-three position in the market served by our AFC-ST business unit as well as top three, five and seven positions in the markets served by our AT, AFC-CS and WET business units, respectively. Our S&T business unit is, in our view, a leader for high-end products focused on certain niches and regions, such as large-scale transformer cooling systems in Europe and machine cooling systems in Western Europe and Asia. As our industry remains highly fragmented with numerous regional competitors, in certain regional and niche markets our market position is even stronger, such as with respect to the charge air coolers segment, where we believe our AFC-CS business unit is among the global leaders. Most of the markets we operate in are large and benefit from major trends such as growing population, urbanization, industrialization, rising energy costs and environmental awareness. We believe that our leading or prominent market positions, broad product offerings and long-term customer relationships as well as our strong manufacturing presence and sales and services network in regional markets provide us with a strong platform to capture future demand in our growing end-markets.

Users of our heat exchangers also rely on the quality of our products and often face high switching costs. Many heat exchangers are process-critical and determine the performance of the application. While the cost of the heat exchanger often only amounts to a fraction of the total investment of our customers, malfunction can cause severe damage to the entire system, such as power plant downtime, which in turn can result in significant financial implications for our customers or their respective end customers. Therefore, end customers are often reluctant to risk the reliability and proper functioning of their application by choosing unproven or lower-quality heat exchangers. We believe that this enhances our ability to protect our market positions.

Broad product and application spectrum with stable underlying technology

We believe we provide one of the broadest product offerings in the industry, covering most types of heat exchangers. Our products are used in numerous applications for customers across many diverse end-markets. This high degree of diversification positions us well to exploit growth trends in the relevant markets. Furthermore, it supports the resilience of our profitability. Each of these end-markets is influenced by distinct economic factors and is in different stages of cyclicality, making us less vulnerable to adverse changes in the macro-economic environment or in any other given sub-sector of our end-markets.

The fundamental concept of thermal heat transfer is relevant in many industrial processes and we do not believe that it currently faces significant substitution risk from other technologies. While technological shifts in this industry are rather sparse, we strive to improve the thermal performance of our heat exchangers, offering our customers highly efficient and secure systems with improved features, such as minimized weight and size. We also believe that heat exchanger demand is well protected against shifts in the underlying industries. Though some applications may decline in importance over time, such as fossil fuel-fired power plants in certain regions of the world, the potential substitutes such as renewable energy generation methods will also require heat exchangers. Through our broad product offering, we are, to a certain extent, protected from such potential shifts in the respective end-markets.

Highly diversified customer base and strong regional diversification

Our global presence allows us to provide local services to global customers. As of December 31, 2013, we provided our products and services to approximately 4,750 customers in more than 130 countries worldwide and across different end-industries. In the year ended December 31, 2013, our top ten customers represented approximately 14.8% of total revenue (with no single customer representing more than 2.9%), with the major portion of our order intake consisting of orders below €1 million. We believe that our brands enjoy a strong, high-quality reputation with many of our customers, reflected in long-standing customer relationships. We have a geographically diversified customer base and currently operate 50 manufacturing and service and assembly sites as well as more than 230 sales offices across the globe.

We are in close proximity to our customers and hence are perceived by many of our customers as a regional supplier. Our high revenue share in Western Europe reflects our strong and long-standing relationships with European customers. We also benefit from low-cost production capabilities, due in part to our extensive production network in Eastern Europe and Asia. Our position as a global and diversified heat exchanger solutions provider with an established presence in Europe, North America, Asia Pacific, the Middle East and South America allows us to capitalize on further growth and expansion opportunities in various sub-segments of our end-markets both by industry and geography while making us less susceptible to market risks in a single country or region or any specific industry or counterparty risk.

Streamlined global capabilities

In recent years, we have streamlined our global production. As part of a reorganization process in connection with the formation of HX, we closed or relocated 18 production sites in higher-cost regions since 2010 and shifted capacity towards lower-cost regions such as Eastern Europe and Asia. Within the remaining 33 production sites and 17 service and assembly sites, investment and restructuring efforts were implemented to adapt production to future needs, and we expect to carry out additional restructuring in the future to further streamline our operations. Modern sites in China, India, and North America offer local access to growth markets while allowing us to serve existing and new customers globally in a cost-effective manner by matching our regional production capacity to customer needs.

Strong financial track record and flexible cost and working capital base

Since 2011, we have generated stable Adjusted EBITDA margins despite difficult market environments in several key end-markets. The resilient profitability is the result of our diversified business model, which focuses on leading or prominent positions in growing regions and product segments, our broad and high-quality product offering as well as the flexible cost structure achieved through continuous operational improvements and restructuring measures.

Historically, we have been able to maintain cash flow through difficult market environments via effective working capital and capital expenditure management. Generally, our working capital requirements grow in expansionary times and lead to cash inflows in times of declining revenues. We believe that a sizeable portion of our capital expenditures is discretionary in nature and could be reduced or delayed in economically challenging times without causing significant negative short term impact on our overall performance. Hence, we believe we can maintain our history of strong cash generation in times of contracting revenue and profitability.

Highly experienced and committed management

Our management team has extensive experience in the industry and a proven track record of achieving long-term growth as well as establishing HX as one of the market leading players in the heat exchanger industry. Our executive management has many years of relevant industry experience. Most of the next level leadership team has also been with us since the inception of HX as a separate segment within the GEA Group and has successfully executed several major strategic initiatives, including the recent global realignment of our manufacturing sites. Our executive management and leadership team remains committed to further improve our cost position through continuous optimization of production, logistics, product design and overhead. We believe the experience and commitment of our executive management and leadership team provides a competitive advantage and positions us favorably for future growth.

Our Strategy

We base our strategy on a program which combines (i) technological leadership, (ii) a global manufacturing and sales network and (iii) a broad product platform, in order to achieve sustainable and profitable growth. Our strategy focuses on the following key objectives:

Drive international expansion

Our regional expansion strategy is driven by the fact that most of our businesses require close proximity to customers. The competitive landscape in the heat exchangers market is characterized by a few global market participants offering an extended product range (of which we are one) that co-exist with a number of smaller, typically local, participants. As a result, we see the heat exchangers business as being multi-local, rather than global. There are in fact a number of factors that restrict the effectiveness of global supply. For example, customers increasingly demand short lead-times, in particular for components, and different product specifications require production to order. In addition, local restrictions and technical specifications and requirements, the bulky dimensions of the products and the corresponding high shipping and logistics costs pose further limitations to global supply and underline the importance of being locally present where the customers are located.

We have also used our market know-how to identify further regional expansion opportunities for our individual business units, based on factors such as local market demand, investment requirements and existing customer relationships. These opportunities include, among others, expanding AT's close control units' business to Asia Pacific to benefit from the growing data center market and expanding our S&T business in South America with a customer engaged in offshore oil and gas production.

Expand into "white spot" markets by leveraging our "shared site" production model

While we are present with production, assembly and service sites as well as sales locations throughout many regions of the world, we have identified certain "white spots" (market areas in which we are not, or not sufficiently, present) in the geographic distribution of our products at the business unit level. It is our objective to address those white spots in the future as currently not all our products are offered across all of our covered territories. In particular, this relates to our S&T business as well as our AFC-CS business in North America and our AT business in Asia Pacific.

In expanding into the identified market areas and regions, we plan to leverage our recently realigned manufacturing infrastructure and our knowledge of local markets. For example, in North America, we have a production site in Tulsa, Oklahoma, United States, which today manufactures products for our AFC-ST business unit. In 2014, we started a new production line for compact radiators for our AFC-CS business unit at the Tulsa site to serve North American demand for these products.

Develop innovative products

We believe that we have one of the broadest product offerings in the market for heat exchangers, including finned tube, plate and shell and tube heat exchangers, cooling towers and air treatment products and a strong pipeline of product innovations to address future market demands. We own approximately 390 patents and utility models in total. For more information, see "*Business —Intellectual Property—Patents and Utility Models.*" We plan to build on our strong product portfolio and our long-standing innovation tradition with many recognized brands. In order to maintain our technology leadership, we strive to continue our joint research and development efforts with customers and research institutes. Recent collaborative projects include, for example, the development of internally- and externally-structured tubes for air coolers, featuring a fin type with improved heat transfer properties. We have proven our technological leadership by developing innovative products for new market trends, derived, in part, from the adoption of new regulations. For example, our new exhaust gas recirculation ("EGR") coolers (the result of a joint development project with leading engine producers), for which we have already received initial orders, meet the new limits regarding mono-nitrogen oxides ("NOx") for off-road diesel engines, and our Circumix dense slurry mixer is expected to comply with the anticipated EPA regulation in the United States on coal ash handling. In addition, we intend to continue to develop energy efficient systems, such as our Adia-Denco cooling system line, which has high-speed fans that adapt to cooling needs and slow down whenever possible and a precision water evaporation system that cools down outside air, both of which contribute to energy efficiency.

Implement operational improvements

We believe that we have further potential for operational improvements. For example, as part of a reorganization process in connection with the formation of the HX Group, we closed or relocated 18 production sites in higher-cost regions since 2010 and shifted production towards lower-cost regions such as Eastern Europe and Asia. Subsequently, we further adapted our capacity at several sites given lower market demand. In addition, we reduced headcount in Brazil and the United Kingdom. We intend to continue to focus on further cost improvements in our manufacturing and administrative structures. The production capacity at our current sites will allow us to grow in developed and emerging markets while leveraging existing investments in our facilities.

Expand our service offering

With our large and mature installed base of products and strong customer relationships, we believe we have strong prospects for growth in the attractive service and maintenance business. We plan to expand the service business on the business unit level with centralized coordination at the Group level. In addition, we will aim to enhance the organizational harmonization of our service business, creating dedicated service responsibilities and pooling service skills across some business units in certain regions and increasing the transparency and synergy screening across the business units (for example, building up a database on our installed base).

Business Units and Product Overview

We operate through the seven operational business units further described below. In addition, a separate unit performs a holding function and the administrative activities for the Group.

Shell & Tube (S&T)

Accounting for 6.8% of our total revenue in the year ended December 31, 2013, our S&T business unit has a highly specialized product offering exclusively focusing on high-value market applications across end-markets and regions, especially Western Europe, Asia Pacific, South Africa and South America. A shell and tube heat exchanger is the most common type of heat exchanger in oil refineries and other large chemical processes and is suited for higher-pressure applications.

S&T's markets are served via seven different product lines which comprise both main applications (transformer cooling systems, steam power systems, machine cooling systems and petrochemical systems) as well as special applications (double tube systems, desublimators and alternative power solutions). Products are either standardized, partly customized based on a modular system (such as in the case of transformer coolers) or fully-customized and built to order (such as heat exchangers for refineries). In addition, S&T provides post-sale products and services, with a focus on power plant refurbishments in South Africa, oil and gas shell and tube maintenance and replacements for refineries as well as coal-to-liquid and gas-to liquid plants in South Africa and the Middle East. Regional presence, end-markets and customers differ for each respective product line. Overall, the business portfolio serves customers across the global market with a particularly strong presence in Western Europe and China. Power is the largest end-market for S&T, followed by the oil and gas industry, the chemicals and the marine industries. The key brands used by this business unit are Renzmann & Grünewald and Bloksma.

Besides a centralized key account management, S&T operates through its own global sales force as well as sales representatives to ensure close customer proximity globally. Specialized heat exchangers such as double tube systems ("DTS"), desublimators and alternative power solutions ("APS") are used in high-end specialized markets for several industrial applications. For example, our double tube heat exchangers provide a solution for critical environments such as the safe separation of a toxic from the cooling/heating media. Due to the customized nature of these specialized products and the comprehensive engineering requirements, there is usually close cooperation between the business unit and its customers.

S&T currently operates twelve manufacturing and service and assembly sites and two joint ventures globally, including important own and shared production and workshop facilities in Germany, Brazil, South Africa, Spain, Poland, China, and the Netherlands. S&T applies a multi-local approach in order to be close to key customers. With its planned service workshop expansion, S&T aims to grow its South African service operations. Local manufacturing capabilities are also a pre-requisite to service the Brazilian oil and gas market. With few international heat exchanger manufacturers present in South America, we believe that S&T benefits from a competitive advantage by being able to offer products that meet international quality standards as well as local content requirements. In addition, to serve the growing Asian market, S&T has been present in China for several years with the Wuhu site and with a joint venture. In the year ended December 31, 2012, production capacity at Wuhu was increased in order to meet expected rising demand. At the same time, S&T expanded its production network to Qatar to serve the strong demand for shell and tube products for the oil and gas industry in the Middle East.

S&T’s main product lines are transformer cooling systems, steam power systems, machine cooling systems and petrochemical systems, which are described in “*Annex—HX Product Lines.*”

Plate Heat Exchangers (PHE)

The PHE business unit accounted for 18.2% of our total revenue in the year ended December 31, 2013. Plate heat exchangers are essential for the functioning of certain industrial processes, *e.g.*, building air conditioning. PHE offers a wide array of heat exchangers that can be further divided into gasketed, brazed and welded. The main differences among the three product lines are their technical specifications with respect to temperature and pressure operating parameters. While gasketed plate heat exchangers are typically mass-customized and can be used in a wide range of applications, brazed plate heat exchangers are commodity products which are used, for example, in HVAC or refrigeration systems, whereas welded plate heat exchangers are specialty/customized products used, for example, for applications where aggressive media is in play, such as oil and gas/petrochemical applications or air/gas pre-heaters.

Building on its strong market position in Western Europe, PHE has developed a global sales presence with significant positions in Asia Pacific, North America and Eastern Europe. Though some customers operate globally, PHE’s business has a strong local character, with customers expecting short lead times and local sales coverage. Close customer proximity and fast response times are supported through a network of sales offices supported by external sales representatives. PHE currently runs 20 sales offices in Western Europe, Eastern Europe, North America, Latin America, Middle East and Asia Pacific. The key brands used by this business unit are EcoFlex, EcoBraze, FlatPlate and Mashimpeks.

PHE currently operates four main manufacturing sites globally including Sarstedt, Germany; Nobitz-Wilchwitz, Germany; York, Pennsylvania, United States; and Pune, India. Full-scale production of brazed plate heat exchangers at the site in Wuhu, China (shared with other business units), is currently expected to begin in the second half of 2014. The service site in Ystad, Sweden, is also used for spare plates’ production in addition to the regular post-sale and service business. PHE operates service and assembly centers in China, Singapore, South Africa, Russia, Brazil, Dubai, and South Korea (partly through joint ventures) to extend our geographic reach. These centers allow PHE to assemble locally and thus reduce logistic and custom product adaptation costs significantly.

In the year ended December 31, 2011, PHE closed its production site in Canada moving production of the fully-welded block production to Sarstedt, Germany in order to utilize the synergies from the already-established welding at this German site and to increase the product quality so as to meet the stringent requirements of oil and gas customers. At the same time, the manufacturing of products of the GEA Flex range with a focus on the sugar industry was moved to Pune, India, to reduce transport costs and strengthen the local business.

PHE’s main product lines are gasketed plate heat exchangers, brazed plate heat exchangers and welded plate heat exchangers, which are described in “*Annex—HX Product Lines.*”

Air Treatment (AT)

The AT business unit accounted for 20.1% of our total revenue in the year ended December 31, 2013. AT offers solutions for ventilation (provision of fresh air) and air conditioning (provision of conditioned air) for occupied spaces, industrial process environments and precision air filtration applications. AT offers five product lines including its service offering and the following product ranges: air handling units, close control/chillers, decentral units and filters. Each product line comprises a wide portfolio of products with different technical specifications. AT delivers its products to the non-residential construction sector, including office buildings, hospitals, shopping centers, and the process industry. Products can be used in both existing and new constructions.

With a long-standing heritage in Western Europe, we see AT as a leading provider of air handling units and air filtration products in this region. Germany, Benelux, France and the United Kingdom are the most important regional markets. In addition, AT has a well-developed market position in Eastern Europe. AT serves its key markets in Europe, the Middle East and Asia Pacific through more than 20 sales locations with specialized sales teams while a network of sales partners covers additional geographies.

AT’s route to market mainly depends on the type of construction project. For large non-residential projects, AT often engages with large general or specialized HVAC contractors, but also sells its products to small installers. Especially for larger projects, supply of HVAC applications is usually tendered. AT has a track record for building and managing long-term relationships with end-users, consultants/planners and contractors/installers who often decide which systems and suppliers are used for a project or specified as a specific, named reference product in the project tender document. Generally, customer concentration for this business unit is very low.

AT currently operates seven manufacturing sites. Products are primarily made to order with lead times generally ranging from ten to sixty working days. During the three years ended December 31, 2013, the business unit underwent a reorganization, which is now completed. As part of the reorganization measures, five sites were closed and production was shifted to other sites. As a result, Liberec, Czech Republic, serves as a production hub for almost all product lines, while Wurzen, Germany, is now a specialist site for air handling units. The site in Hereford, United Kingdom, is specialized in close control units for that regional market.

The sites in Wuhu, China (shared with other business units), and Chakan, India, produce close control units for the fast-growing data center and life science markets in the region. The site in Istanbul, Turkey, primarily delivers air handling units to local markets. Heat exchanger components for AT's products are sourced from other business units of the Group (in particular, AFC-CS) and external suppliers. Along with pre-production activities, such as, cutting of profiles and sheet metal preparation, all assembly and quality management is performed on-site. For large systems, AT also conducts the assembly at the customer site.

AT's main product lines are air handling units, close control units, chillers, decentral units and filters, which are described in "*Annex—HX Product Lines.*"

AFC Compact Systems (AFC-CS)

Accounting for 16.9% of our total revenue in the year ended December 31, 2013, the AFC-CS business unit designs and manufactures compact heat exchangers (fined tube heat exchangers) for two main application areas: machine cooling and refrigeration. Air fin cooler tube bundles (for HVAC and industrial processes) and service (primarily regarding the spare parts business) complement AFC-CS's offering. The business unit's heat exchangers are based on a common technology, continuous finned coils with expanded tubes. AFC-CS supplies the major portion of its revenue volume into the food and beverages and power sectors. While applications in food and beverages are focused on refrigeration, the machine cooling applications in the power end-market are much broader, ranging from smaller charge air coolers built into backup diesel engines to large-scale radiator projects to cool combined-cycle power plants. In addition, the business unit also delivers products for the marine industry (mainly charge air coolers) and for climate and environment applications (mainly commercial dry coolers and bundles). The key brands used by this business unit are Goedhart, Küba, Searle and Raffel.

The key regional market for AFC-CS is Western Europe, followed by Asia Pacific. While the refrigeration business is largely focused on the European market, the business unit's machine cooling end-customers are typically active globally. AFC-CS strives to ensure close proximity to its customers through a global sales network, with several sales offices and many external sales agents around the world.

AFC-CS's route to market differs largely between the machine cooling and the refrigeration business. For machine cooling applications, AFC-CS usually engages with large contractors/EPCs and global engine and turbine manufacturers to jointly develop customized solutions. The customer base for refrigeration applications is much more regional and fragmented ranging from refrigeration installation contractors, wholesalers, to small family-owned installers. Customer concentration in machine cooling is fairly high, with few large global contractors and EPCs and approximately 120 engine producers globally. In the refrigeration business, the customer base is more fragmented.

The business unit operates a network of eleven manufacturing locations and one service and assembly site. The sites are mainly located in Europe and nine of the locations are managed by AFC-CS. Over the years, the business unit has built up a significant production presence in lower cost countries. This allows AFC-CS to produce heat exchangers in established markets, including Germany, the United Kingdom, the Netherlands and France, as well as in lower cost countries depending on the respective customer location and preferences. In its main market Europe, AFC-CS's lower cost production locations include a site in Poland, which was originally focused on the production of machine cooling products and bundles but has ramped-up production for air-cooled condensers and commercial dry coolers since 2012. Furthermore, our site in the Czech Republic focuses on the production of customized and commercial air coolers, while our site in Wuhu, China, is AFC-CS's production hub to serve the Asia Pacific region, with capabilities and capacities to produce many of the main product ranges. A further shared manufacturing site is located in Brazil.

AFC-CS's main product lines are charge air coolers, closed circuit coolers, radiators/industrial dry coolers, commercial air coolers, customized air coolers, condensers/commercial dry coolers and bundles, which are described in "*Annex—HX Product Lines.*"

AFC Single Tube (AFC-ST)

The AFC-ST business unit, which accounted for 14.9% of our total revenue in the year ended December 31, 2013, is structured around two business models: project engineering (which constitutes by far the largest sales portion of this business unit) and customized components. In addition, the business unit offers both standard services (spares, maintenance, repair and overhaul, erection supervision, refurbishment and re-tubing) and advanced service solutions such as revamping, debottlenecking, upgrading, acoustics and vibration diagnosis and global performance optimization. The key brands used by this business unit are Batignolles Technologies Thermiques ("BTT") and Rainey.

AFC-ST operates 13 manufacturing and assembly and service sites to ensure global presence on each continent for project engineering and multi-domestic proximity for components. All production sites are shared with other HX business units, like ACC/Heller, Shell & Tube and to a lesser extent AFC Compact Systems. For AFC-ST's project business, the global center of competence is located in Nantes, France. AFC-ST's project business is operated through one entity per continent, including Africa and the Middle East, Latin America and Asia. With sites in Doha (Qatar) and Changshu (China), the business unit maintains a strong presence in emerging markets. The component business is organized through a centralized European low-cost manufacturing hub in Poland and several sales and assembly sites across Europe. The closely integrated engineering/sales model ensures the required quality and very low lead times.

Project Business

The project business comprises air-coolers made of aluminum fins ("AFC-ST Alu") and air-coolers with hot dip galvanized fins ("AFC-ST HdG"). Both of these products are typically characterized by a high degree of specification for customers from the oil and gas and power industries and are designed to sustain high pressures of up to 800 bar. All kind of specialty materials are offered: from Carbon Steel cladding to Duplex, Incolloy, Inconel and Titanium to comply with requested corrosion-resistance characteristics. Given their applications in both high-heat processes, for example in refineries, and low-temperature processes such as gas liquefaction, our air fin coolers can sustain ranges from minus 120°C to 600°C. Our products are fully made to order and order sizes vary widely in a range of approximately €1 million to €30 million. AFC-ST Alu are especially used in the oil and gas industry while AFC-ST HdG are primarily used for specialty industries with hostile environmental requirements with high resistance to corrosion and long-lasting life duration, e.g. mining with particular sand/dust specifications, corrosive chemicals or nuclear applications.

AFC-ST is a prime supplier to large-scale projects across the oil and gas industry (upstream, mid-stream and downstream). Upstream applications include floating production storage and offloading vessels. Midstream applications include Liquefied Natural Gas plants (on-shore or off-shore), compressor stations along gas pipelines. Within gas compressor stations, air fin coolers are mainly used to condense or to cool down compressed gas and hydrocarbons flow, and also as lube-oil/water coolers auxiliaries for turbo-machinery or steam power systems. Liquefied natural gas plants are strategic applications where air fin coolers are a key component in the gas pre-cooling refrigeration process in which the gas is initially cooled before the gas is liquefied during the cryogenic stage. AFC-ST's comprehensive offering further includes air fin coolers for refineries, petrochemicals plants as well as gas-to-liquids ("GTL") and coal-to-liquids ("CTL") plants in which heat exchangers are used in the gasification process.

Component Business

The customized component business comprises a broad range of products, such as air dryers, air pre-heaters, machine cooling and hot dip galvanized transformer oil air cooler products for a wide array of end-markets, including the oil and gas, power, chemicals, automotive, wood, textile, climate control and food industries. For example, air pre-heaters are used in power plants. The pre-heater absorbs waste heat from steam or other heat sources and transfers this heat to incoming cold air to increase the efficiency of the combustion process. Our air dryers are used in multiple applications, such as automotive painting, wood or chemical drying processes. Economizers utilize heat from the exhaust gas of boilers to overall improve machine and plant efficiency and elsewhere.

With a long-standing heritage in Germany and Austria, we believe AFC-ST is seen as the component business market leader in this region. The business unit's in-depth application know-how and close customer relationships due to its regional sales force are highly important assets in winning new contracts. The customer base of the component business of AFC-ST is largely fragmented. With an attractive lower-cost European manufacturing hub in Poland, we believe that AFC-ST is well-prepared to extend its strong positioning in Germany and Austria to markets beyond Europe, like North America and Eastern Europe.

Service

In the service business, the AFC-ST BU benefits from the large installed base which acts as an important business driver. Service contracts are typically awarded on a regional basis as maintenance contracts are predominantly ordered directly by the end-user. AFC-ST provides standard services from most of its sites. Advanced services are concentrated towards specifically dedicated entities. The service business was historically carried out individually by each entity and is not yet coordinated on a global basis.

AFC-ST's main components product lines are air dryers, pre-heaters, machine cooling and transformer air coolers, which are described in "*Annex—HX Product Lines*."

ACC/Heller (ACCH)

ACCH's business is primarily a project business. The business unit accounted for 16.5% of our total revenue in the year ended December 31, 2013. Its main focus is air-cooled condensers ("ACC") and indirect dry cooling systems ("Heller"). Additionally, ACCH also offers "balance-of-plant" solutions (primarily the Circumix ash-handling technology) for other related power station functions ancillary to its dry cooling business. In ACCs the steam from steam turbines is passed through finned tubes and condensed by blowing colder ambient air onto these tubes. Indirect dry cooling systems like Heller condense the steam by using cooling water which is air-cooled afterwards. Unlike wet cooling systems, dry cooling systems use a minimal amount or no water and are consequently more environmental-friendly and especially used in arid regions. In addition to dry cooling systems the business unit offers "balance of plant" solutions focusing on the environmentally friendly disposal of coal combustion residues using its unique Circumix technology, which allows for disposal of coal combustion residues with very little leachate and water consumption. Our services include our own first-party as well as directing third-party installations and focus on the re-bundling of ACCs. Due to our long-standing experience in this segment and leading analysis tools, we are capable of quantifying the potential thermal performance improvements from re-bundling of ACCs upfront.

Power represents the largest end-market for ACCH. Furthermore, the business unit supplies cooling systems for oil and gas applications as well as captive power stations across all industries. In general, ACCH delivers a cooling system for a power plant (for example, a dry cooling plant consisting of multiple ACCs or a Heller system). As the cooling system has a decisive impact on the efficiency of a turbine and therefore the entire power station, the engineering and design of such a project is critical. Based on the environmental circumstances of the project site, each project is uniquely customized and its design and optimization require a close interaction with the customer. ACCH's key responsibilities in such projects encompass engineering services as well as the production of the bundles for an ACC or for the Heller system and the supply of other components manufactured by sub-vendors. The key brands used by this business unit are Heller, EGI and Circumix.

ACCH's customers differ by project, with a wide range of customers being served globally. Customers can usually be classified into EPCs and plant operators. EPC customers are mainly global energy sector EPCs that build entire power stations. Historically, the business unit has very close relationships to many globally active EPCs. In certain instances, large utilities companies directly order cooling systems from ACCH. Especially within the growing Chinese market, direct orders from utilities are the common route to market. Furthermore, we believe that ACCH is in a strong position to obtain further business from power station operators with aging ACC cooling solutions offering thermal performance upgrade diagnoses.

ACCH has three centers of competence located in Europe, namely in Bochum, Germany (no production) for the ACC Alex/A-Tube product lines, in Budapest, Hungary, for the Heller product line as well as "balance of plant" projects, and in Nantes, France, for ACC Mash. After a successful restructuring in 2010, the business unit currently operates eight manufacturing and service and assembly sites. Three of these sites, Jászberény, Hungary, Langfang, China, and Wuqing, China, are fully dedicated to the business unit's activities. While manufacturing of ACC Alex bundles is centralized on a global basis in Langfang, China, manufacturing of ACC Mash is shared with the business unit AFC-ST and located in France, China and Qatar. The production for Heller is located in Jászberény, Hungary, except for the Chinese market which is serviced through a site in Wuqing. The production of ACC A-Tube in South Africa is primarily related to the Medupi project. Medupi is one of the largest dry cooled coal fired power plant in the world. Project Medupi, which is by far our largest single project, is a green field power plant in the rural North-Eastern area of South Africa. The project was started in 2007 and is led by the South African governmental utilities company Eskom. ACCH was subcontracted to deliver turn-key ACC cooling systems for six steam turbine based units, including the engineering of cooling applications and manufacturing of ACC-HdG bundles and the supply of other ACC components. The project was originally planned to be completed in 2013, but has been delayed due to strikes, among other factors. Thereafter, work will be focused on engineering support and management of potential warranty cases, if any. It is currently expected that the provisional acceptance of the first unit will be taking place during the course of 2014/2015 and during 2016 for the last unit, absent any further delays, which cannot be excluded. For more information on this project, see "*Business—Material Contracts—Contractual Relationships within the Project Business—Recent Material Projects and Project Medupi—Medupi.*"

ACCH's main product lines are air-cooled condensers, Heller dry cooling systems and balance-of-plant systems, which are described in "*Annex—HX Product Lines.*"

Wet Cooling (WET)

The WET business unit accounted for 6.6% of our total revenue in the year ended December 31, 2013. WET provides evaporative cooling towers, which are heat removal devices used to transfer process heat from process fluids to the atmosphere. A direct, or open circuit cooling tower is an enclosed structure which distributes the warm water fed to it over a labyrinth-like packing called "fill." The fill provides an expanded air-water interface where the water is cooled as it descends through the fill by gravity while in direct contact with air that passes over it. The heated, moisture laden air leaving the fill is discharged to the atmosphere. We are one of a few market participants who offer all sizes of towers, including modular cooling towers, closed-loop cooling towers, field-erected mechanical-draft cooling towers, natural-draft cooling towers and fan-assisted natural-draft cooling towers (as described in "*Annex—HX Product Lines*"). Our service business comprises a wide range of services, including periodic inspections, component replacements, maintenance, overhaul, and upgrades. Depending on the region in which we operate, our service business model differs significantly: While in Europe the maintenance and upgrading of large natural draft cooling towers for leading utilities is carried out by our own engineers and subcontracted labor, temporary workers provide both maintenance and complete replacements of damaged cooling towers in North America. The service activities in China are focused on the replacement of old or underperforming cooling tower fills. In addition, spare parts for modular cooling towers are sold within Western Europe. In all markets, inspection services are often a key instrument to proactively develop new maintenance or refurbishment projects.

Key application in the power end-market is the cooling of thermal power plants of different fuel types (coal, combined cycle gas, nuclear, renewables with steam cycle). Within the oil and gas market, cooling towers are mainly used for the central cooling cycle in petrochemical complexes. Industrial applications in chemicals, steel, pulp and paper are plant-specific as they provide cooling to various process steps. In the heating ventilation and air conditioning business segment, WET's cooling towers are primarily needed for large district cooling projects in hot areas, such as the Middle East. Fill products, as a second main product category, are either targeted towards other cooling tower manufacturers or the climate and environment end-market with its water and wastewater applications. The service business for cooling towers is highly diversified as it spans across a range of end-markets and applications. Our service business is not limited to the own installed base, but rather WET is able to refurbish competitors' cooling towers as well.

WET is predominantly active in Western Europe and North America. The business unit has taken initial steps to develop a stronger presence in the emerging markets such as the Middle East and Africa, Eastern Europe, Asia Pacific and Latin America. The key brands used by this business unit are Polacel and 2H.

For WET, the route to market varies between the different product lines: For all cooling tower projects sales are generated through our own sales network, comprising 22 sales offices in eleven countries (including a joint venture in India). Since these projects require sales consulting and engineering expertise, direct contact with the customer is necessary for a successful project completion. In the field of circular and hybrid cooling towers or large field erected projects in particular, the global centers of competence in Bochum, Germany, and in Doetinchem, the Netherlands, support the local sales and engineering staff with specific expertise. In addition, most projects relating to newly-built cooling towers are organized through an EPC provider who is ultimately responsible for a turnkey plant for the actual end-user. Selected large utilities/industrials deploy their own EPC division or directly influence the specifications issued by the third party EPC provider. In either case, the vast majority of projects are awarded through a formal tender and bidding process. WET's long-standing relationships with EPCs and utilities, as well as their multi-year track-record of successfully delivered projects are, in our view, decisive factors in these bidding processes. In the service business, in contrast, purchasing is almost exclusively carried out by the operators themselves. Through its dedicated service sales force and regional service sites across the globe, the business unit is able to be close to its customers and offer them fast response times. In turn, the fill business for water/wastewater products is also characterized by EPCs as main customers and the need for an own sales force with large expertise. Globally, all cooling tower internals such as fills are also sold via partners who are familiar with the product specifics.

WET comprises nine manufacturing and service and assembly locations and nine sales-only locations (including a joint venture in India). Its main production sites are located in Doetinchem, the Netherlands, and Wettringen, Germany. The plant in the Netherlands produces modular cooling towers while the site in Germany produces fill products. In addition, the production sites in Houston, Texas, United States, Laveno, Italy, Northampton, United Kingdom and Indaiatuba, Brazil, operate as fill assembly workshops only. The majority of other components, especially for large cooling towers, are purchased. Several local sales offices around the world reflect the regional business approach and provide market access to developed as well as emerging countries. Through its joint venture in India, WET also has access to the local market for products and services.

WET's product lines are circular and hybrid cooling towers, field erected cooling towers, modular cell cooling towers, closed loop cooling towers, fill products and water/wastewater products, which are described in "*Annex—HX Product Lines.*"

Customers and End-Markets

We sell our products and render services to the following main customer industries: climate and environment, power, oil and gas, food and beverages, chemicals and marine. Customer types differ by business unit, and include EPCs, planners, engine makers, large industrial players and local specialist companies. In the financial year 2013, our top ten customers represented 14.8% of total revenue, with no single customer representing more than 2.9%. For more information, see "*Industry*." The following table shows the proportion of our total revenue split by end-market for the year 2013:

Percentage of Revenue by End-Markets
(based on 2013 revenue, excluding sales to other segments of the GEA Group)

Power	29.6%
Climate and environment	28.7%
Oil and gas	19.3%
Food and beverages	8.6%
Chemicals	4.9%
Marine	3.5%
Other	5.7%

We operate in the component, services and the project businesses. The component business accounted for about two-thirds and the project business for about one-third of our combined revenue in the year ended December 31, 2013. We classify our S&T, PHE, AT, AFC-CS and part of our AFC-ST business units as component businesses and ACCH, WET and part of AFC-ST as project businesses. Our offering to customers ranges from small components, where typical order sizes can range from €10 to €500,000, to larger projects, where the order sizes are typically between €10 million to €50 million. In our component business, the customer base is very fragmented, from local installation companies to global EPCs, while the customer base tends to be relatively concentrated for our project business (primarily EPCs and utilities). Key success factors in the component business are price and lead time, while in the project business, engineering capabilities and project references tend to be the key success factors.

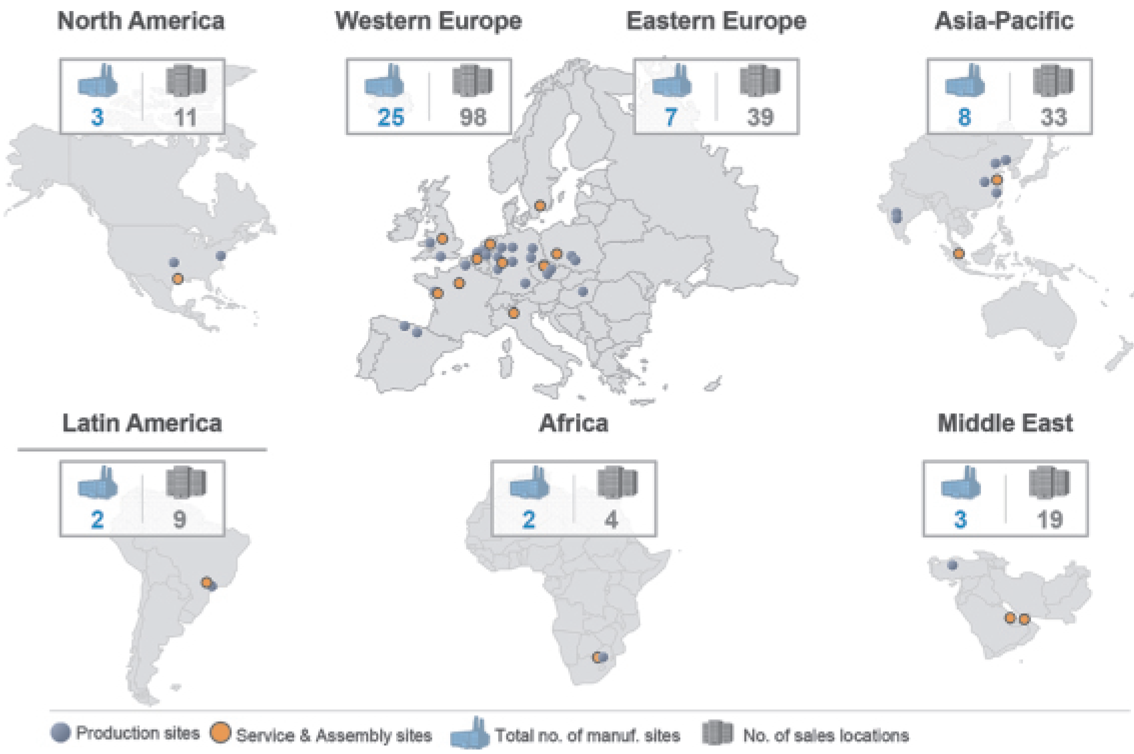
For a description of the major contractual relationships with customers, see "*—Material Contracts*." The descriptions of the individual business units also contain more detailed information on the customer structure of each business unit (see "*—Business Units and Product Overview*").

Production and Sales

We operate 50 manufacturing sites (including 33 production sites and 17 assembly and service sites) supported by more than 200 local sales and sales partner offices across five continents except for Australia, where we operate through a sales agent, including a presence in key growth regions such as China, India and North America. During the realignment initiated in 2010, 18 production sites in higher-cost regions were closed or relocated and capacity shifted to lower cost regions primarily in Eastern Europe and Asia. On this basis, we believe that we are well-positioned to serve our customers globally while retaining a competitive cost basis. We also believe that our modern manufacturing plants allow us to capture the expected increase in demand over the next years, particularly in higher growth markets in Asia and the United States. We expect that the existing geographic presence will also enable us to expand the distribution of certain of our products to regions already covered by other business units or technologies without the need for a large upfront investment. See "*—Our Strategy —Drive international expansion*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information and Factors Affecting Comparability—Separation, Reorganization and the Transactions*."

Proximity to our customers is essential in order to minimize transportation costs and thus compete successfully in the market. Due to the often bulky dimensions of most of our products, transportation costs are an important factor for many of our customers.

HX Global Production and Sales Footprint



We distribute our products and offer our services through our own sales network and agents. Our sales staff primarily develops and strengthens new and existing customer relationships and acquires new orders and business across the regions in which we offer our products. These relationships enable us to identify trends in our end markets and customers' needs early. With the support of other corporate functions, our sales team is also responsible for obtaining product specifications and generating pricing quotes. Furthermore, our engineers work closely with our customers on site to develop and install new products, many of which are highly customized and technologically advanced in nature.

Procurement

With respect to our procurement, dedicated commodity teams are responsible for developing and implementing measures for commodities such as fans, copper, aluminum, carbon steel sheets, drawing parts (metal), steel structures and ducts, tubes and pipes, logistics, stainless steel coils, steel plates, motors and drives and gears, industrial fans. Procurement is conducted on the basis of orders under framework agreements and individual procurement agreements. Framework agreements are in place with most major suppliers, particularly for commodities. Our Group companies which are not party to a framework agreement may, in certain cases, nonetheless place an order under such framework agreement. We use standardized templates for procurement framework agreements which contain, *inter alia*, the following provisions: (a) prices and a non-binding forecast of the estimated requirements for the delivery of products and material, (b) order submission and processing, in particular provision that the ordering Group company is the only liable party in respect of such order while the liability of the other Group companies is excluded, (c) conditions of payment and delivery, (d) requirement of quality management systems of the supplier, and (e) guarantee and liability of the supplier. Additionally, each HX Group company concludes certain specific individual procurement contracts with its respective suppliers, as needed.

With the exception of the individual specific procurement contracts between individual HX Group companies and with their respective suppliers, we coordinate the strategic procurement for our operational business units centrally in order to increase our purchasing power. The most important material groups are managed by a designated commodity manager and representatives of such HX Group companies for which the commodity is particularly relevant. The main task of this commodity team is to develop and implement commodity-specific procurement strategies. The team negotiates prices and volumes with selected suppliers in accordance with the chosen procurement strategy. In addition, local purchasing employees support our commodity teams by managing the relationship with our key suppliers. Commodities related to our project business are typically not hedged due to either floating price quotes or a short time (typically three to six months for most mid-sized projects) between quoting of prices and delivery of our product, leading to a relatively low risk and impact of price movements. However, other commodities which are mainly related to the component business (such as copper or aluminum) are hedged to some extent on an entity level, although we aim to minimize the lead time between procurement of raw materials and sale of our products to reduce the risk of negative price movements. We have entered into long-term supply agreements with various suppliers in order to reduce price risks for certain commodities.

We source locally from suppliers worldwide. As a rule, we do not depend on any single supplier, with a few exceptions for certain local markets or special applications. Our top ten suppliers accounted for approximately 9% of total procurement relevant spend in the year ended December 31, 2013 and no supplier for more than 2%. The biggest supplier relates to the Medupi project and accounts for almost 2% of procurement relevant spend in the year ended December 31, 2013; however, this relationship is expected to decline along the phase-out of the project. We have entered into joint component development agreements with certain strategic suppliers. We have established strong ties to these suppliers and cooperated with them on various projects for many years.

We run a communication platform called “Supplier-Portal” for the business relationships with admitted suppliers of certain goods as well as services. This platform allows our Group companies to, in particular, electronically request and process tenders by admitted suppliers.

Research and Development

As a manufacturer of specialized and customized products, we believe that our continued emphasis on research and development is critical to our future profitability. We currently manufacture and sell more than 2,000 products to customers globally. Although the pace of new innovations in the heat exchanger industry is slower than in other high-tech sectors, we invest substantial resources in developing new products and materials. Our total research and development expenses in the year ended December 31, 2013 were €13.7 million, and 125 employees (based on full-time equivalents (“FTE”) rounded figures) worked in research and development as of December 31, 2013. A portion of our development costs are customer-related and are thus attributed to engineering costs. Research expenditures are recognized immediately as an expense. Development costs that are designed to significantly enhance a product or process are capitalized if completion of the product or process is technically and economically feasible, the development is marketable, the expenditures can be measured reliably, and adequate resources are available to complete the development project. All other development expenditures are recognized immediately as expenses. See also “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Description of Key Combined Income Statement Line Items—Research and Development Expenses.*”

Our research and development efforts, which we undertake on a business unit level, are directed mainly towards innovative new products and development of new materials to respond to anticipated customer needs and include joint development with customers. For example, our EGR coolers were developed for diesel engines together with leading engine producers to reduce NOx emissions to comply with new regulations in the marine and off-road industries. Prototype EGR coolers are already in operation and the first orders for serial delivery have been received. Another collaborative research project refers to the development of internally and externally structured tubes for air coolers, including a fin type with improved heat transfer properties that enables to reduce the plot size of the cooler or, alternatively, enables more output if the size is not reduced. These can be used in large LNG plants. In addition, we cooperate with more than 60 universities and research institutions in eight countries, including renowned partners such as the Fraunhofer Institute in Germany, the Stellenbosch University in South Africa and the French government-funded technological research organization CEA (*Commissariat à l’énergie atomique et aux énergies alternatives*). These partners carry out basic and applied research for us in areas such as thermodynamics.

Intellectual Property

We own a broad variety of trademarks, domains and technical protection rights. In addition many entities have been granted licenses by GEA AG to use the trademark “GEA” and are parties to certain significant internal as well as external technology licenses.

Trademarks

We currently own approximately 135 trademarks which do not contain the designation “GEA.” The 135 trademarks include 29 European trademarks, the transfer of which has recently been registered by the authorities. The transfer of approximately 217 additional trademarks from GEA AG to the HX Group is ongoing. For about 36 and 24 of these the registration has been transferred or has been filed (including the international registrations), respectively. The trademarks include company trademarks as well as specific product trademarks. These sub-brands are well-known in the local markets in which they are used. For the dry cooling business, we primarily use the trademarks "EGI" and the technology-related trademark "Heller." The trademarks "Batignolles" and "Rainey" are used for finned tube heat exchangers and "Bloksma" and "Renzmann" for shell & tube heat exchangers. "Ecoflex," "FlatPlate" and "Mashimpeks" (in Russia) are established trademarks for plate heat exchangers, "Polacel" is used for our wet cooling towers and "Delbag," "Happel" and "Denco" are used in the air treatment business. For compact air fin coolers, in particular, the trademarks "Küba," "Goedhart" and "Raffel" are used and "2H" is an important trademark for water technologies. We will retain our company and product brands after the separation from our previous shareholder, GEA AG.

On the basis of a license agreement, the HX business has used the trademark "GEA.". The companies of the HX Group have paid running royalties for this use. These license agreements will be terminated prior to or on completion of the Acquisition. By way of a new license agreement to be concluded for a period of 18 months, generally, and in some cases for 30 months, as of the completion of the Acquisition, certain companies of the HX business will be permitted to continue the use of this trademark. The consideration for such interim license is not payable in royalties but is reflected in the purchase price under the Acquisition Agreement.

With respect to certain trademarks such as "CAIR," "DENCO," "ECOFLEX," "HAPPEL" and "HELLER," GEA AG and some of our Group companies have concluded co-existence and demarcation agreements with third parties. These may limit the use of the contract trademarks for certain purposes. Subject to certain licensing agreements, trademarks including the GEA name can be used by us for a period of 18 to 30 months following the Completion Date, depending on the aforementioned license agreement. Trademarks including the HX name can be used by us for an indefinite period.

Patents and Utility Models

We own approximately 390 patents and utility models in total, if European Patents ("EPs") and World Intellectual Property Organization ("WIPO") registrations are considered as one country patent each. They belong to about 170 different patent families. Approximately 50 of those protection rights are European Patents. About 65 are registrations with the WIPO under the Patent Cooperation Treaty ("PCT") system. The majority (approximately 60) of these WIPO registrations are older than 31 months, but have been nationalized in at least one country. Approximately 90 of the total protection rights are registered in Germany (not considering the EPs). Overall, there are national protection rights registered in more than 40 different countries, most notably (besides Germany) in the United States, China, India, South Korea, Spain, Mexico, South Africa, Hungary, Australia, Japan and Russia.

We are party to several major technology license agreements, research and development agreements and technology-related software agreements. However, we do not license technology to or from the different segments of the GEA Group. As far as patents were not jointly developed under a cooperation agreement with third parties, the patents are owned by us or will be owned by us following the completion of the Acquisition.

Domain Names

We own about 160 domains that do not contain the designation "GEA." Examples are 2h-kunststoff.com, waermetauscher.de, searle.co.uk, waermetausch.de and nema-waermetauscher.de. The transfer of domains owned by GEA AG and GEA IT Services GmbH that do not contain the designation "GEA" and that are related to the HX Business had been mostly transferred to the HX Holding GmbH in March 2014.

Furthermore, we use about 277 domains owned by GEA AG or GEA IT Services GmbH, which contain the designation "GEA." This includes the main website of HX Group www.gea-heatexchangers.com and www.gea-hx.com. Pursuant to the Acquisition Agreement, we are entitled to continue the use of these domains after the Acquisition for a transitional period of nine months after completion of the Acquisition. We intend to transfer the content of the websites which is currently available under GEA domain names to HX Group websites. We intend to transfer the content of the websites which is currently available under GEA domain names to HX Group websites as soon as feasible during the timeframe given in the trademark agreement for the right of using the GEA brand. We also intend to prepare the transfer of the GEA domains with regards to search engine optimization and link history during that time.

Real Estate and Leases

Our headquarters are located at Dorstener Str. 484, 44809 Bochum, Germany. This property was sold and transferred to HX Holding as part of internal reorganization pursuant to which the business of the HX Group was separated from the GEA Group and registration in the land register (*Grundbuch*) occurred on March 13, 2014. Historically, the property has been used by several GEA Group companies and HX Group companies. The use of a small part of the property by certain GEA Group companies will continue following completion of the Acquisition based on a lease agreement concluded between HX Holding (as lessor) and GEA Real Estate GmbH (as lessee) on January 10, 2014, with a term until December 31, 2015 and which gives GEA Real Estate GmbH a right of early termination with three months' notice but not before December 31, 2014.

Other major sites owned or used by us based on long-term rights similar to ownership rights are, among others, located in the following jurisdictions: Brazil (Franco de Rocha), China (Wuhu, province of Anhui), Czech Republic (Liberec), France (Wingles), Germany (Baierbrunn, Bebra, Monzingen, Nobitz-Wilchwitz and Wurzen), Hungary (Jászberény), India (Pune), the Netherlands (Almere and Sint Maartensdijk), Poland (Opole and Świebodzice), South Africa (Germiston), Spain (Igorre) and the United States (York, Pennsylvania).

The following table provides an overview of the various owned buildings at our locations.

Location	Size of property in square meters
Franco de Rocha, Brazil (industrial property)	54,645
Wuhu, China (workshop buildings)	23,100
Wuhu, China (office building)	20,925
Wuhu, China (land use rights)	86,000
Liberec, Czech Republic (several buildings)	93,591
Kostomlátecká, Czech Republic (production site)	22,034
Baierbrunn, Germany (production, storage and office space)	34,363
Bebra, Germany (factory and office building)	11,300
Bochum, Germany (“GEA Center”)	43,954
Monzingen, Germany (office and factory building)	16,536
Nobitz-Wilchwitz, Germany (factory and office building)	21,696
Wurzen, Germany (several buildings and parcels of land)	9,400
Jászberény, Hungary (factory)	43,156
Almere, The Netherlands (factory and office building)	22,500
Maartensdijk, The Netherlands (several buildings)	14,500
Świebodzice, Poland (production and office space)	71,716
Germiston, South Africa (several buildings)	25,187
Johannesburg, South Africa (residential home and offices)	1,850
Igorre-Bizkaia, Spain (several buildings)	17,065
York, PA, United States (industrial property)	73,612

We also use certain major sites based on lease agreements. Some of the lease agreements have been entered into for fixed terms of varying duration, while other lease agreements have been entered into for an indefinite term with varying notice periods. At one of our material leased sites—our manufacturing site Searle, located in Fareham, United Kingdom, and used by our AFC-CS business unit—a major fire in February 2014 caused the destruction of the main assembly building (including the blygold coating facility, the paint shop and research and development facility). We rescheduled the delivery of destroyed products and subcontracted powder paint and blygold-coated bundles to meet the required demand in the coming months. Delivery of finished goods re-started a few days after the fire, and the insurance company has confirmed coverage of additional costs of production (outsourcing, rental of additional space, etc.) subject to a €250,000 deductible based on the total value covered under the insurance policy. We have a duty to mitigate potential losses.

The following table provides an overview of the various leased buildings at our locations (expiring leases are anticipated to be renewed in time).

Location	Size of property in square meters	Rented or leased (expiry date for rent or lease)
Langfang, China	65,302	Leased (November 3, 2014)
Changshu, China	28,800	Leased (June 30, 2019)
Shanghai, China	775	Leased (February 29, 2016)
Sartrouville, France	4,038	Leased (indefinite period with three months notice and a lease agreement which will terminate in 2019)
Herne, Germany	5,495	Leased (June 30, 2018)
Herne, Germany	639	Leased from GEA Group AG (without written lease agreement for an indefinite period - to be terminated with three months notice to the end of the next calendar quarter as per applicable law)
Herne Germany	9,686	Leased from GEA Group AG based on sublease agreement (term expired – automatically prolonged on a year by year basis in case no notice of no-renewal is duly served on time by either party – end of term of main lease agreement December 31, 2015)
Herne, Germany	8,046	Leased from GEA Group AG based on a sublease agreement (term expired – automatically prolonged on a year by year basis in case no notice of no-renewal is duly served on time by either party – end of term of main lease agreement December 31, 2015)
Sarstedt, Germany	40,000	Leased (November 2023)
Sarstedt, Germany (storage facility)	5,028	Leased (April 17, 2021)
Duisburg, Germany	1,171	Leased (March 31, 2017)
Budapest, Hungary	2,877	Leased (indefinite period with three months notice)
Dima, Spain	2,621	Leased (January 2022)
Revilla de Camargo, Spain	4,400	Leased (December 31, 2015)
Hereford, Great Britain	1,400	Leased (October 17, 2025)
Fareham, Great Britain	47,800	Leased (October 30, 2018)
Catoosa, OK, United States	10,695	Leased (month-to-month basis)
Lakewood, CO, United States	688	Leased (April 1, 2017)
Houston, TX, United States	1,561	Leased (September 1, 2018)
Clearwater, FL, United States	542	Leased (March 31, 2017)

In addition, we physically share office space with GEA Group companies at certain other locations, mostly relating to sales or engineering personnel of other segments of the GEA Group.

Furthermore, our subsidiary GEA Air Treatment Production GmbH is in the process of acquiring additional ownership shares (*Miteigentumsanteile*) in certain properties adjacent to its current site in Wurzen, Germany. GEA Air Treatment Production GmbH has also sold a former production site located in Löhnberg/Obershausen, Germany to GEA Real Estate GmbH as part of the carve-out of the HX segment (HX Group) from the GEA Group. Registration in the land register occurred on April 2, 2014. Our subsidiary GEA Klima Sanayi ve Ticaret A.Ş. sold a property in Gebze, Turkey in February 2014.

Material Contracts

Service Agreements between the HX Group and the GEA Group

Several service contract relationships exist or have recently been concluded between the HX Group and the GEA Group. Most importantly, we receive management services and IT services. Furthermore, certain administrative services are rendered in some cases by GEA Group companies to HX Group companies and vice versa.

With respect to the management services, GEA AG entered into a management services agreement, dated December 17, 2009 and amended in June 2013, with GEA Heat Exchangers GmbH as well as other GEA Group companies. GEA Heat Exchangers GmbH has transferred its position as contracting partner under the agreement to HX Holding as part of the carve-out of the HX Group. Under this agreement, GEA AG makes available certain services in respect of finance, accounting, sales, technical issues, marketing, purchasing, logistics, legal matters, insurance, taxation, commercial management, security management, personnel and training. As consideration, a service fee which reflects arm's length negotiations and principles is payable. In April 2014, we agreed with GEA AG to amend the management services agreement in order to reflect the decreased scope of services rendered for the period from January 1, 2014 until June 30, 2014 and to terminate the management services agreement with effect as of the closing of the Acquisition.

GEA IT Services GmbH provides IT services to the HX Group. HX Holding and GEA IT Services GmbH entered into a new IT services agreement on April 8, 2014. The new IT services agreement provides for a maximum term of 42 months after the closing of the Transactions, including a ramp-up and know-how transfer phase during the last twelve months of this period required for the migration and the setting up of a stand-alone IT system for HX. We are entitled to terminate the IT services agreement on a service-by-service level by giving six months' prior written notice to the end of a calendar month or in its entirety with 18 months' prior written notice, in both cases subject to further terms and conditions of the IT services agreement. The IT services agreement replaces various IT service agreements that previously existed between GEA IT Services GmbH and individual HX Group companies.

Furthermore, on March 19, 2014, we entered into a framework agreement with GEA AG, which provides for general terms and conditions for service relationships between GEA Group companies, on the one hand, and our Group companies on the other hand. Under the framework agreement, several service relationships in respect of administrative services between GEA Group companies and our Group companies have been entered into. Such administrative services are rendered both ways, from GEA Group companies to the HX Group and vice versa. The services include, for example, accounting, controlling and reporting services, payroll services and education services. The respective service agreements under the framework agreement replace previous service relationships between the relevant companies.

Contractual Relationships within the Project Business

The following contractual relationships can commonly be seen in our project business: a project company and a contractor enter into a turnkey engineering, procurement and construction contract in respect of a project, for example a power plant. The contractor subcontracts a certain product and/or service to an HX Group company such as engineering, manufacturing, delivery and installation/installation supervision of a dry cooling system, AFC or cooling tower as the case may be. Alternatively, an HX Group company may be directly engaged by the project company in lieu of a contractor. Frequently, the respective HX Group company itself enters into agreements with subcontractors and suppliers, which in part belong to the HX Group and in other instances are third parties. Project contracts can include the design and construction of entire cooling systems or more limited activities with respect to a subsystem of a cooling system. For contracts within the HX Group, companies may operate as suppliers of the sold HX products or as subcontractors for certain services such as engineering.

As part of our risk management process, we have implemented review and approval processes to approve material project contracts based upon certain financial thresholds applicable to each business unit. These processes include different levels of approvals by a designated risk review board and the business unit presidents as well as standard sets of risk review documentation.

Recent Material Projects and Project Medupi

The following description relates to certain material projects which were approved in the years ended December 31, 2012 and 2013 by the risk boards of the HX Group and of the GEA Group for the HX Group, as well as to our largest project, Medupi.

Medupi

The Medupi project is by far our largest project. It entails the construction of the air-cooled condensers ("ACC") for a coal fired power plant with 6 x 740 megawatt units in Lephalale, Limpopo Province, South Africa for Eskom Holdings SOC Ltd., a government-owned South African electricity public utility.

GEA Aircooled Systems (Pty.) Ltd., is responsible for a defined scope of activities for detailed engineering, procurement, erection and commissioning of six ACC units, including galvanized finned heat exchanger tube bundles.

The performance of the contractual obligations at the construction site was originally scheduled from 2008 to 2013. However, due to several delays caused by inter alia technical problems with other components of the power station, delayed civil construction as well as significant industrial action (among others, employee strikes) and deficient performance of subcontractors, completion is significantly delayed.

Erbil, Sulaymaniya and Dohuk

GEA Energietechnik GmbH is involved in three projects in Iraq dealing with the conversion of three gas power plants in Erbil, Sulaymaniya and Dohuk. The scope of each contract includes the delivery of 940 ACC bundles which are manufactured by GEA Power Cooling Technology (China) Ltd. and certain technical advisory services. GEA Energietechnik GmbH's performance of the contractual obligations at the construction site is scheduled from February 2013 to December 2013 for the Erbil project, from December 2013 to June 2016 for the Sulaymaniya project and from May 2014 to February 2016 for the Dohuk project. With respect to the Erbil project, GEA Energietechnik GmbH has fulfilled its delivery obligations and received almost all of the consideration. A provisional acceptance certificate ("PAC") for the first unit and final payment is expected for July 2014.

Brunswick

The Brunswick project deals with the construction of a 1,365 megawatt combined cycle power plant in Freeman, Virginia, United States for Dominion Virginia Power. The scope of the project includes the delivery of 936 ACC bundles, which are manufactured by GEA Power Cooling Technology (China) Ltd. The performance of the contractual obligations at the construction site was originally scheduled from January 2014 to June 2015. Due to a delay caused by technical changes and late provision of design requirements, the time schedule for internal milestones has been postponed, according to the current schedule by about three months. The overall project schedule remained unchanged.

Baotou

The Baotou project deals with the construction of a 2 x 330 megawatt power plant in Baotou, Inner Mongolia Autonomous Region, China, for Baotou Aluminum (Group) Co., Ltd. (China). The scope of the contract includes the delivery of 656 ACC bundles which are manufactured by GEA Power Cooling Technology (China) Ltd. GEA Energietechnik Co., Ltd. (China) provides for procurement, project handling, engineering, supervision and GEA Energietechnik GmbH additionally provides design and calculation services to GEA Power Cooling Technology (China) Ltd. The performance of the contractual obligations at the construction site was originally scheduled from April 2013 to December 2013. Erection and commissioning for both units are expected to be finished during the third quarter of 2014 and the preliminary acceptance certificate to be issued during the fourth quarter of 2014. The delay was requested by the customer.

Rabigh

The Rabigh project relates to the expansion of the integrated refinery and petrochemicals complex Rabigh II in Rabigh, Saudi Arabia with a naphtha reformer unit and an aromatics complex for Sumitomo Chemical Co. Ltd. and Saudi Arabian Oil Co. GEA Batignolles Technologies Thermiques S.A.S. obligations are limited to the delivery of 35 items of AFC until July 2014. The erection works are not included in the scope of the contract.

Yamal

The Yamal project deals with an integrated facility for natural gas liquefaction with an annual production capacity of 16.5 million tons located on the Yamal Peninsula in northwest Siberia, Russia. The operating company Yamal LNG—in which OAO Novatek holds a 60% interest, while Total S.A. and CNPC hold 20% each—intends to build a plant that will liquefy the extracted gas to reduce it to one six-hundredth of its original volume, thus enabling it to transport the gas economically by ship to destination markets in Europe and Asia. GEA Batignolles Technologies Thermiques S.A.S. is responsible for the design, engineering, manufacturing and supply of 17 items of AFC (405 tube bundles); commissioning is planned for three phases and is scheduled to take place from 2016 to 2018.

Hepo

The Hepo project involves a 2 x 350 megawatt power plant with indirect cooling (Heller system) in Yangquan, Shanxi Province, China for Shanxi Hepo Power Generation Co., Ltd. The scope of this contract includes delivery of 1,436 heat exchanger bundles for an indirect cooling system as well as supervision of erection and commissioning. GEA EGI Cooling Systems Trading (Beijing) Co., Ltd. which provides for engineering, procurement, contract handling and supervision and GEA EGI Contracting / Engineering Co. Ltd. which provides for design and engineering support are intragroup sub-suppliers of EGI Cooling Systems (China) Co. Ltd. The scheduled timeframe for EGI Cooling Systems (China) Co. Ltd.'s performance at the construction site is February 2014 to February 2015.

Shengle

The Shengle project deals with an indirect cooling (Heller system) for a 2 x 350 megawatt power plant in Shengle, Inner Mongolia Autonomous Region, China for Inner Mongolia Beijing Energy Shengle Thermal Power Generation Co. Ltd. The scope of this contract includes the delivery of 1,560 heat exchanger bundles as well as supervision of erection and commissioning. The heat exchanger bundles are manufactured by EGI Cooling Systems (China) Co. Ltd. GEA EGI Contracting / Engineering Co. Ltd. is an additional intragroup sub-supplier of EGI Cooling System Trading (Beijing) Co., responsible for design and engineering support. Its performance at the construction site is scheduled from April 2013 to March 2015.

Ordos

The Ordos project pertains to the construction of a power plant with 4 x 330 megawatt coal fired supercritical units in Ordos, Inner Mongolia Autonomous Region, China for Inner Mongolia Ordos Electric Power Co. Ltd. EGI Cooling Systems Trading (Beijing) Co. Ltd. is responsible for the delivery of 3,120 heat exchanger bundles, manufactured by EGI Cooling Systems (China) Co. Ltd., and the supervision of erection and commissioning. As additional intragroup sub-supplier, GEA EGI Contracting / Engineering Co. Ltd. supplies design and engineering support. The completion of the contractual obligations at the construction site is scheduled for April 2015.

Jinchang

The Jinchang project is about the construction of a 2 x 330 megawatt cogeneration power plant in Jinchang, Gansu Province, China for Gansu Electric Power Investment Jinchang Power Co., Ltd. The contract includes the delivery of two Heller dry cooling towers and the supervision of erection and commissioning. GEA EGI Contracting / Engineering Co. Ltd. provides for design and engineering support as intragroup sub-supplier.

At the construction site, the performance of HX Group companies was originally scheduled from September 2012 to June 2013. Both units are under commissioning as of the date of this offering memorandum. Preliminary acceptance certificates are expected by the end of the third quarter of 2014.

Tuapse

The Tuapse project covered the hydrocracking complex of the Tuapse refinery in Tuapse, Russia for United Mining Corporation Ltd. GEA Heat Exchangers S.r.l. was responsible for the delivery of 24 Koch heat transfer units. While the delivery of such units was planned for September 30, 2013, the actual delivery took place on December 20, 2013 because of a revised manufacturing timetable of the manufacturer.

Komsomolsk

Similar to the Tuapse project, the completed Komsomolsk project dealt with the construction of a hydrocracking complex for the Komsomolsk oil refinery in Komsomolsk-on-Amur, Russia for Rosneft (Russia), who ordered 14 Koch heat transfer units from GEA Mashimpeks LLC. GEA Mashimpeks LLC delivered them in June 2013.

Contractual Relationships within the Component Business

In the component business, we offer plate heat exchangers (PHE business unit), finned tube heat exchangers (AFC-ST and AFC-CS business units), shell and tube heat exchangers (S&T business unit) and ventilation and air conditioning solutions (AT business unit). As in the case of contracts for the project business, if a contract in the component business exceeds certain risk management thresholds the proper documentation must be prepared and an approval may be required for the conclusion of the corresponding contract.

In the component business, our Group companies sell their products on the basis of customer orders submitted under framework agreements as well as individual agreements with customers. Our Group companies have concluded framework agreements with most large-scale customers. The framework agreements typically contain provisions regarding (a) the products subject of the framework agreement; (b) order submission and order processing, (c) applicable rules in case of a suspension by the customer, (d) conditions of payment and delivery, (e) representations and warranties, (f) liability of the relevant Group company, (g) term of the framework agreement and termination rights. The framework agreements typically do not contain prices for the relevant products.

In addition to the sale of products, we render a wide range of services such as monitoring, performance checks, maintenance, repairs, replacements, modernization and staff training. In respect of this post-sale and service business, our Group companies regularly enter into individual service agreements with their customers. Due to the individually different types of services, no framework agreements are concluded with customers and general terms and conditions are used to a limited extent only.

Furthermore, the component business uses, in part, sales agents for the distribution of its products, in particular where we have a low regional presence such as parts of the United States, Russia and China. The relevant Group companies enter into agency agreements with their sales agents. We use standardized templates for such agency agreements.

Employees

As of March 31, 2014, the HX Group employed a total of 7,194 employees (based on full-time equivalents (“FTE”) rounded figures), including executive employees and managing directors, but excluding trainees and apprentices. In addition, the HX Group employed 101 apprentices (*Auszubildende*) worldwide as of March 31, 2014. As of March 31, 2014, the HX Group also employed 819 temporary agency employees (*Leiharbeitnehmer*) (calculated on an FTE basis), primarily in China, Germany, Poland, South Africa and France.

The following table shows the number of permanent employees (FTE, including FTE allocated to business unit administration) of the HX Group as of December 31, 2011, 2012 and 2013 and as of March 31, 2014, broken down by functions

Headcount by functions (Full-time equivalents)	**As of December 31,**			**As of March 31,**
	2011	**2012**	**2013**	**2014**
			(unaudited)	
Production	4,032	3,692	3,527	3,522
Sales (excluding Services)	1,236	1,313	1,333	1,327
Engineering	736	735	719	723
Overhead	684	688	650	647
Services	495	433	469	478
Purchasing	310	291	325	323
Research and Development	127	121	125	126
Internal Services/Other	60	57	52	48
Total	**7,679**	**7,329**	**7,201**	**7,194**

The following table shows the number of permanent employees (FTE, including FTE allocated to business unit administration) of the HX Group as of December 31, 2011, 2012 and 2013 and as of March 31, 2014, broken down by regions:

Headcount by regions (Full-time equivalents)	**As of December 31,**			**As of March 31,**
	2011	**2012**	**2013**	**2014**
			(unaudited)	
Germany	2,099	2,010	2,037	2,020
Western Europe (excluding Germany)	2,002	1,929	1,860	1,830
Eastern Europe	1,244	1,258	1,258	1,260
Asia Pacific	1,169	1,190	1,200	1,243
North America	493	442	436	434
Latin America	385	257	177	176
Africa	170	163	128	124
Middle East	118	80	105	107
Total	**7,679**	**7,329**	**7,201**	**7,194**

The reduction of overall headcount from 7,679 FTE as of December 31, 2011 to 7,201 as of December 31, 2013 was primarily driven by restructuring carried out in the course of setting up the HX segment within the GEA Group. In relation to such restructuring, sites in higher-cost countries have been closed or downsized and sites in lower cost countries have been expanded. These measures included, among others, the shut-down of the production in Gaspoltshofen, Austria, and in Oberhausen, Germany, as well as a transfer of production, *inter alia*, to the Czech Republic and Poland. Correspondingly, the number of FTE employees in higher-cost regions (*e.g.*, Western Europe) has been reduced while the number of FTE employees in lower cost countries in Eastern Europe and the Asia Pacific region has increased.

As of March 31, 2014, 16 employees were employed by HX Group Companies, but work for GEA Group Companies, and 13 employees are employed by GEA Group Companies, but work for HX Group Companies. It is intended that the respective companies enter into transition service agreements ("TSAs") on the activities formerly performed by the relevant employees. As of the date of this offering memorandum the majority of TSAs have been signed.

Several HX Group companies are members in employers' associations. In particular, the German companies HX Holding GmbH, GEA Renzmann & Grünewald GmbH, GEA Ecoflex GmbH, GEA Küba GmbH, GEA Air Treatment Production GmbH, GEA Air Treatment GmbH and GEA NEMA Wärmetauscher GmbH are members in different regional employers' associations. Usually such membership entails to be bound by collective bargaining agreements (*Tarifverträge*). However, some German HX Group companies are members without being bound by collective bargaining agreements concluded by the employers' association.

Furthermore, HX Group companies in Belgium, France, Hungary, Italy, the Netherlands, the United States and South Africa, as well as one subsidiary in each of Poland, Austria, Spain and the United Kingdom, are members of employers' associations.

Material Collective Bargaining Agreements

Due to the memberships of HX Group companies in various employers' associations, a large number of different collective bargaining agreements are applicable to the employment relationships. The collective bargaining agreements of the metal and electrical industry in Germany stipulate general working conditions such as salary, working time, overtime work, surcharges, vacation and preclusion periods. In addition, different framework collective bargaining agreements of the metal and electrical industry include regulations on termination protection and part-time work for elderly employees.

A company collective bargaining agreement (*Haustarifvertrag*) has been concluded among different companies that have been merged into GEA Air Treatment Production GmbH or GEA Air Treatment GmbH, respectively, and the trade union Industriegewerkschaft Metall (IG Metall), which is still relevant for some employees of GEA Air Treatment Production GmbH and GEA Air Treatment GmbH and according to which the regional collective bargaining agreements of the metal and electrical industry shall apply to their employees. GEA Air Treatment Production GmbH applies collective bargaining agreement also for other employees. At GEA Air Treatment GmbH, the company collective bargaining agreement is applicable at one branch and the main branch of GEA Air Treatment GmbH applies collective bargaining agreements on a voluntary basis. At the other four branches of GEA Air Treatment GmbH no collective bargaining agreements are applied.

Furthermore, a company collective bargaining agreement has been concluded between NEMA Wärmetauscher GmbH and IG Metall which, *inter alia*, stipulates that salary is paid according to the regional collective bargaining agreements of the metal and electrical industry.

For employees who transferred from GEA Heat Exchangers GmbH to HX Holding as part of the carve-out of the heat exchangers business from the GEA Group, as well as for other companies, no collective bargaining agreements are applicable.

In many other jurisdictions, collective bargaining agreements are also applicable. They define working conditions for employees of the HX Group companies.

Employee Representative Bodies

Several HX Group companies have a works council or similar employee representative bodies. In Germany, all employing HX Group companies have, with one exception, established local works councils. Furthermore, for employees in the HX business in Germany, a joint works council for the HX Group (*Segmentsgesamtbetriebsrat* – "Joint Works Council") has been established with 25 members, by means of a collective bargaining agreement pursuant to Section 3 of the German Works Constitution Act (*Betriebsverfassungsgesetz* – "BetrVG") between GEA Heat Exchangers GmbH, who also represented all other HX Group companies in Germany that had employees at that time, and the trade union IG Metall dated August 25, 2011. GEA AG accepted the delegation of members of the Joint Works Council to the group works council (*Konzernbetriebsrat*) by acceding to the relevant section of the collective bargaining agreement. The Joint Works Council replaced the company works councils (*Gesamtbetriebsräte*) which existed on entity level and took over their functions. In addition, a joint economic committee for the segment (*Segment-Gesamtwirtschaftsausschuss*) has been established under this collective bargaining agreement. As of January 1, 2014, employees of GEA Heat Exchangers GmbH transferred to HX Holding, which was originally not a party to the collective bargaining agreement. As of March 26, 2014 HX Holding acceded to the collective bargaining agreement with (retroactive) effect as of January 1, 2014. This agreement reflects the changes of the carve-out. The revised collective bargaining agreement stipulates a transitional mandate for the Joint Works Council for up to twelve months after the Acquisition.

Employees in Germany are also represented by the group works council of GEA AG until the consummation of the Acquisition. Works councils or other employee representative bodies also exist at other Group companies in different jurisdictions.

Compromises of Interests and Social Plans; Letters of Commitment

German HX Group companies entered into several compromises of interests (*Interessenausgleich*) and social plans (*Sozialplan*) with the local works councils, the Joint Works Council or the group works council of GEA AG during the last three years, relating to different operational changes. Some of those agreements are still effective.

Furthermore, GEA Energietechnik GmbH is obliged under a compromise of interests on the introduction of a project called "B1BU" to, *inter alia*, maintain the working conditions of the affected employees until June 30, 2014. In addition, a compromise of interests and social plan has been concluded between GEA NEMA Wärmetauscher GmbH and its works council on September 19, 2013, which is applicable until the relevant restructuring measures have been completed, but no longer than December 31, 2016.

Moreover, GEA AG committed itself towards the group works council to secure certain social standards for employees who are employed in the HX Business as of the closing of the Acquisition. Among others, under such commitment GEA AG will provide a restructuring amount of €18 million (including €250,000 for a hardship fund) to secure certain minimum standards, *e.g.*, in the event of termination within certain periods after the closing of the Acquisition for urgent operational reasons. The restructuring amount will be reduced by certain payments that are based on social plans of GEA IT Services GmbH, GEA AG, GEA Real Estate GmbH or HX Holding for terminations of up to 50 employees who provided services for HX Group Companies. Furthermore, the commitment of GEA AG contains provisions according to which GEA AG will oblige the purchaser of the HX Group to pay severance payments and to provide a standard for a transfer company which is at least equal to the provisions of the referenced social plan and to establish a transfer company if more than 20 employees covered by the letter are affected by reductions. GEA AG has also agreed to ensure that these obligations will be transferred if HX Group Companies are resold to a third party by the purchaser.

Variable Remuneration and Incentive Schemes

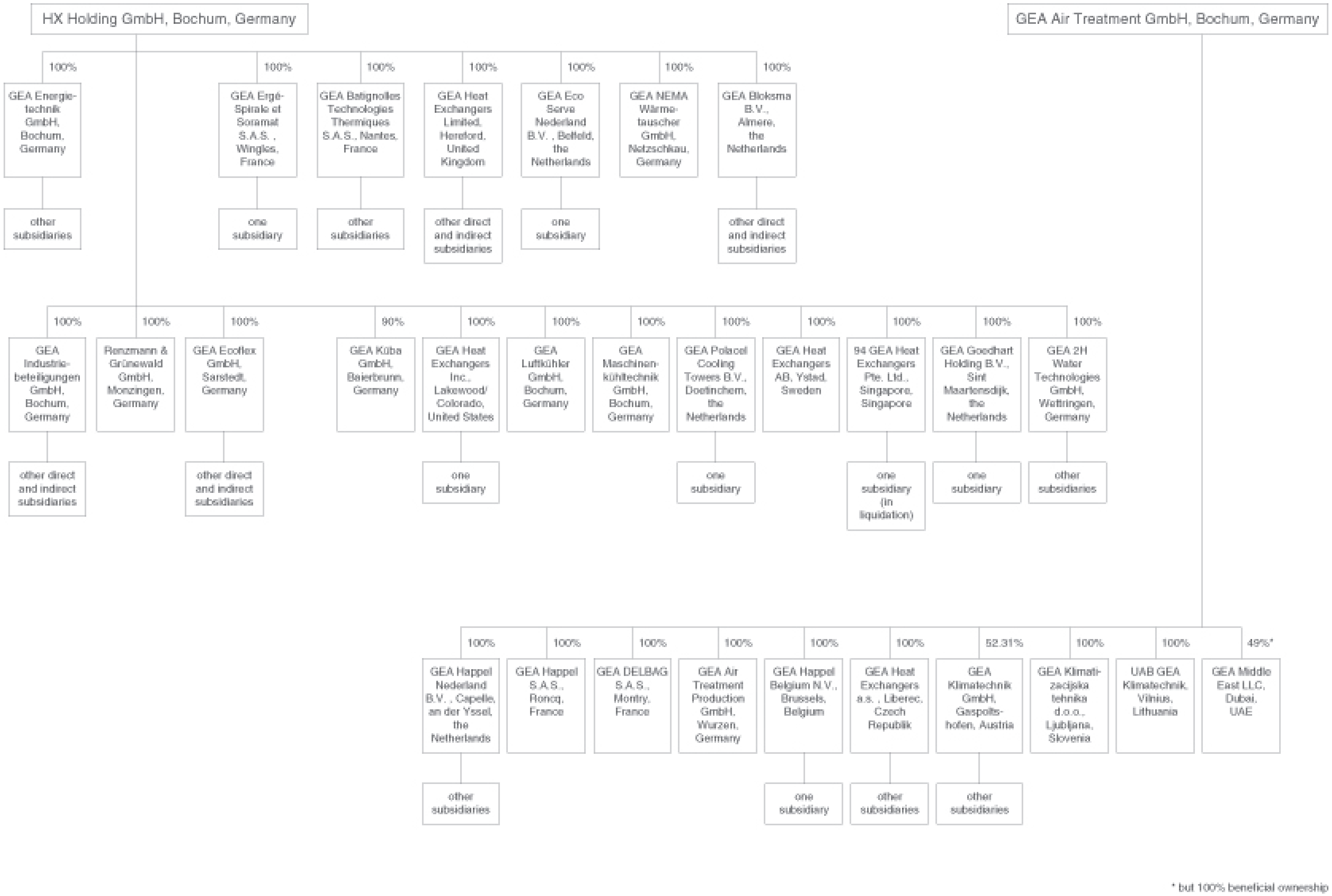
Various bonus schemes apply to our employees. We offer a bonus scheme for our members of our senior management, which became effective as of January 1, 2012 and under which those employees are entitled to bonus payments based on the achievement of individually agreed targets as well as on pre-defined financial targets at the GEA Group level, HX Group level, business unit level and/or regional or company level. Between 30% and 70% of a contractually agreed target bonus amount is based on individually agreed targets for which a target achievement of up to 200% is possible. Another part of the contractually agreed target bonus amount is based on a multi-year component which is calculated on the achievement of financial targets at the GEA Group level and/or HX Group level, as the case may be, during the past three years. For this component, a target achievement of up to 250% is possible. 5% of the contractually agreed target bonus amount is calculated on the basis of the development of the total shareholder return of GEA shares, with a possible target achievement of up to 300%. In addition, under the terms of a performance share plan that was operated by GEA AG for selected members of senior management who were invited to participate via individual letters, should a line of business (such as the HX Group) leave the GEA Group, the performance shares of the affected employees lapse and a compensatory payment is provided.

Various bonus schemes apply to certain of our non-executive employees, which include customary individual and/or performance targets such as variable compensation components. These bonus schemes are developed by the local Group companies with general guidance by our human resources department since the establishment of HX in 2010. After consummation of the Acquisition, we plan to replace the GEA AG component of this bonus plan.

Group Structure

Our current corporate structure was established as of January 1, 2014 and is the result of a legal reorganization of the HX business carried out by the GEA Group, as explained in more detailed under "—*Carve-Out Measures*" below. In 2010, the HX business had been concentrated in GEA Group's HX segment. As of January 1, 2014, HX Holding and HX AT became the two top-level holding companies of the HX Group. These companies hold (together) 94 direct and indirect subsidiaries and minority participations worldwide. The business of the Air Treatment business unit is mainly concentrated in HX AT acting as holding company of 18 direct and indirect subsidiaries and minority participations. However, in certain countries in which the corporate structure is not exclusively based on business units, certain portions of the business of the Air Treatment business unit are operated by HX Group companies held by HX Holding GmbH. The business of the other business units is mainly held and operated by HX Holding and its direct and indirect subsidiaries and minority participations.

The following chart shows, in simplified form, our current corporate structure as of March 31, 2014:



Carve-Out Measures

Overview

Historically, the HX business and the non-HX business of the GEA Group were not organized in separate legal structures. The corporate structure of the GEA Group mainly followed a country structure such that HX Group companies were direct and indirect subsidiaries of top-level holding companies pertaining to other segments of the GEA Group and GEA Group companies were direct and indirect subsidiaries of HX Group companies. In addition, some companies existed with business overlaps in which they held assets and/or operated businesses pertaining both to the HX business and to the non-HX business of the GEA Group. Only the business activities of the AT business unit were already substantially concentrated in a separate corporate structure with HX AT as holding company. It was therefore necessary to reorganize the corporate structure of the GEA Group to separate the HX business from the non-HX business of the GEA Group. This legal reorganization ("Carve-Out") became effective (to a large extent) economically and in rem as of January 1, 2014 and resulted in the current corporate structure of the HX Group. In addition to the Carve-Out, the reorganized HX Group will need to be separated from the GEA Group as of the closing of the Acquisition. Such separation and additional restructuring unrelated to the separation may require certain additional measures.

Completed Carve-Out Measures

The current corporate structure of the HX Group was mainly established by the Carve-Out on the basis of a written resolution of the management board of GEA AG dated October 13, 2013. The Carve-Out was implemented in several steps by different types of corporate reorganization measures. These measures included share transfers, share contributions, asset transfers, the incorporation of HX Holding and the dissolution of existing companies. In particular, the Carve-Out included numerous transfers of participations in HX Group companies that were held by non-HX Group companies prior to the Carve-Out to HX Holding. Transfers were in certain cases implemented in several steps. In a first step, the relevant HX Group companies were cleared of any non-HX participations and other non-HX business by way of share transfers and asset transfers. In a second step, the participations in these HX Group companies were transferred from the respective non-HX Group company to HX Holding either by direct sale or via contribution through the shareholding structure.

The Carve-Out further included transfers of participations in HX Group companies that were held by GEA Group companies prior to the Carve-Out to HX AT. These transfers relate to HX Group companies pertaining to the AT business unit and were transferred to HX AT because this business unit was already substantially concentrated in HX AT prior to the Carve-Out. The transfers of such HX Group companies to HX AT were also in several cases implemented in several steps, whereby the relevant HX Group companies were first cleared of any non-HX participations, and then the participations in these HX Group companies were transferred from the respective GEA Group company into the HX structure either by direct sale or via contribution through the chain of shareholders.

Furthermore, the existing domination and/or profit and loss transfer agreements (*Beherrschungs- und/oder Gewinnabführungsverträge*) between GEA Group companies, on the one side, and HX Group companies, on the other side, were terminated as of the end of the calendar year 2013 and new domination agreements (*Beherrschungsverträge*) between either HX Holding or HX AT, on the one side, and certain HX Group companies, on the other side, were entered into in January 2014.

Material Legal Disputes

We are occasionally involved in legal disputes and administrative proceedings within the scope of our business activities and this will likely be the case in the future. It is impossible to determine or predict the outcome of cases pending or threatened. We believe that other than the proceedings described below, during the prior twelve months, no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which we are aware) have had significant effects on our financial position or profitability. We are not aware of any circumstances that could lead to state interventions, court or arbitration proceedings with significant effects on our financial position or profitability.

Legal disputes and administrative proceedings in which companies of us have been involved during the past twelve months particularly include the following:

Claims Filed or Threatened by Customers and Subcontractors against HX Group Companies

Claims by Subcontractors

In the Medupi project in South Africa, our largest project (see "*—Material Contracts —Contractual Relationships within the Project Business—Recent Major Projects and Project Medupi —Medupi*"), the subcontractor responsible for erection works has filed several claims against GEA Aircooled Systems Pty. Ltd. for rectification works, for which this subcontractor denies its responsibility.

Furthermore, the same subcontractor has submitted certain additional claims for reimbursement of additional costs (inter alia for wage increases, disruption of works due to labor disputes and delayed access to the site). We expect that the claims will partly be passed through to the customer and/or the end-customer.

HX Claims against Customers, Suppliers and Subcontractors

On April 15, 2013, GEA EGI Energiagazdálkodási Zrt. filed an arbitration claim against a state-owned customer based in India, for a project regarding delivery of equipment for a cooling system of a power plant under construction in Syria, claiming outstanding payments. The arbitration proceeding is ongoing.

Insurance

Currently, the HX companies are insured through several global insurance policies of the GEA Group. First they are covered by a worldwide liability insurance master cover program with Allianz Global Corporate & Speciality SE as the leading insurer. The coverage includes certain public, products and environmental impairment liability as well as IT insurance and professional indemnity insurance. It provides for limits/sub-limits and deductibles depending on the basis of the liability, location and kind of damages/losses. The master program is supplemented by local insurance policies in certain jurisdictions outside of Germany, including with respect to our other European center of operations and those in Brazil, China, India, Malaysia, Qatar, Russia, Saudi Arabia, Singapore, South Africa, Turkey, Ukraine, United Arab Emirates and the United States. The local policies are arranged with the same insurance company, its group or through a cooperation partner active in a particular jurisdiction and are issued on a "good local standard." The current worldwide insurance master program covers HX Group companies as long as they remain subsidiaries of GEA AG. Furthermore, GEA AG has taken out a so-called all risks property damage and business interruption insurance master policy, under which HX Group companies are covered by the master policy as long as they remain affiliated companies of GEA AG. The master policy provides for limits and deductibles depending, in particular, on the insured property, the location and the cause of damage or business interruption and is subject to certain exclusions. Some of the HX Group companies covered by the master policy have taken out, or are also covered by, local property damage and business interruption insurance policies. In addition, Construction All Risk and Erection All Risk coverage is in place locally for certain jurisdictions which are not covered by the master policy. Further, GEA AG has taken out a worldwide marine insurance master policy, subject to certain limits, exclusions and restrictions. Furthermore, GEA AG has taken out worldwide directors and officers liability insurance policies on claims made basis covering certain insured persons of HX Group companies against financial claims as long as the HX companies remain controlled subsidiaries of GEA AG. The directors and officers liability insurance policies are subject to a cap per case and per year as well as certain deductibles and exclusions.

With respect to certain group insurance policies, *i.e.*, the general liability, transport and storage as well as property damage/business interruption policy, we may continue to be covered by GEA group insurance policies until the end of 2014.

HX Group Companies currently have several pending major insurance claims (claims exceeding any applicable deductible by at least EUR 500,000 and selected claims which might exceed this threshold due to ongoing developments) made by HX Group Companies. These claims mainly relate to liability insurance policies for damages incurred by customers or costs incurred by HX Group Companies for warranty obligations vis-a-vis customers, but also to erection or construction risk insurance policies. Further future claims cannot be excluded.

Management believes that the GEA Group insurance policies provide to the HX Group adequate insurance coverage against all material risks that are typically insured by similar companies with comparable risk exposure. However, it cannot be ruled out that the HX Group may incur losses that are not covered by existing policies or that exceed the coverage level stipulated in the insurance contracts. Furthermore, as coverage by the GEA Group insurance policies will terminate upon consummation of the Acquisition or, depending on the kind of insurance, at the latest by the end of 2014, we may not be able to obtain and then maintain adequate insurance coverage at all or at appropriate premiums in the future.

Until the consummation of the Acquisition or, as the case may be, until the end of 2014 we will substitute the GEA insurance policies by insurance policies to be obtained by the HX companies. We expect the new policies will provide coverage for major risks (to the extent that the risks are insurable at reasonable terms and conditions) in amounts we believe are appropriate (to the extent that such amounts can be purchased at reasonable prices). In addition, we expect the new policies will provide coverage for major insurable risks (in each case subject to terms, limits and deductibles) with respect to (i) property damage and business interruption resulting therefrom, (ii) general business, product and environmental impairment liability, (iii) construction/erection all risk, (iv) transport and storage and (v) directors and officers liability.

REGULATORY FRAMEWORK

Our business is subject to several different laws and regulations on the local, State, national and EU levels. The regulatory framework applicable to the manufacturing and sale of heat exchangers is characterized by numerous national and international laws and regulations. They particularly include different legal permit and certificate requirements, European State aid regulations, administrative proceedings and environmental requirements.

Permits and compliance with environmental laws

Our manufacturing, distribution and storage operations and sites for heat exchangers require various permits in the relevant jurisdictions world-wide. Depending on the location and business activities of the respective sites, our Group companies hold the permits required for the operation of their businesses. Permits vary according to the underlying national regulations, but typically include business, operating and manufacturing licenses, emissions, waste, water and waste water permits as well as specific building and fire brigade permissions. In a few cases, where we are planning to expand our business at individual Group companies, or where permits are to be renewed there is a small number of pending approval procedures. In particular, GEA Heat Exchanger Systems (China) Ltd. (formerly GEA Industrial Heat Exchanger Systems (China) Co., Ltd.), Wuhu, China, has applied for an Industrial Products Manufacturing Permit for refrigeration equipment, which is still pending. This permit would allow the company to develop two new business fields, the close control unit and the refrigeration unit. In case the permit should not be granted, however, the current business of the company would not be significantly affected. In case of a production of refrigeration equipment without such permit the company could be subject to penalties including in a worst case scenario a suspension of production and fines. Existing permits are sometimes modified by subsequent orders issued by the authority. For some environmental issues only notifications or documented measures of self-control are required. In some cases the authorities enter into agreements on environmental compliance (including permit) issues which regulate the sanctions in case of non-compliance at the same time. In some jurisdictions (*e.g.*, in India) an annual environmental statement is required.

Environmental protection legislation reform is currently being progressed by the EU member states, which will implement the EU Industrial Emissions Directive (2010/75/EU of November 24, 2010 - "IED"). The Polish Parliament is also currently working on legislation implementing the IED into the Polish Environmental Protection Law; under this implementing legislation, IPPC permits (so-called integrated permits) should be reviewed by competent authorities within three months from the date when such legislation enters into force, in order to adapt such permits to the standards laid down in the IED.

Similarly, there are comprehensive obligations in case of a planned shut-down of an industrial installation in most jurisdictions. For example, GEA Heat Exchangers a.s., Liberec, Czech Republic, is currently planning to close down its filling station for diesel, petrol and solvents in 2014 which includes removal of the filling tanks and remediation of possible contamination. GEA Aircooled Systems (Pty) Ltd. in Germiston, South Africa, is currently clarifying with the authorities whether any specific action is required after the decommissioning of the galvanizing plant and the paint shop. In some countries compliance with these closure-related obligations is secured by financial guarantees which have to be provided during the operative phase of the installation (as is*, e.g.*, the case in France).

Regardless of whether our manufacturing, distribution and storage operations are subject to permit requirements, we must comply with a wide range of environmental laws and regulations in various jurisdictions. For example, we must comply with regulations on emissions control, on handling of hazardous substances (see also below "— Chemicals, hazardous substances and goods"), the water laws, waste management, health and safety and prevention or clean-up of contamination regulations. We are also subject to preventive and precautionary measures e.g. in ecologically sensitive areas, in areas with the risk of floods, areas which are known to be contaminated and with regard to potential hazards for our staff (with regard to the latter see also "— Occupational health and safety").

Besides the general regulations concerning waste management issues, there are additional regulations concerning packaging waste (introduced at the EU and member states levels). In Poland, entities which market products (provided that the total annual weight of packaging exceeds 1 ton) are obliged in particular to ensure the collection of a specific quantity of post-use and packaging waste from the market and subsequently to recover or recycle it. It is possible, however, to delegate the above obligation to a recovery organization (*organizacja odzysku*), which, in exchange for a determined fee, assumes an entity's obligations relating to the collection of waste and its subsequent recovery or recycling.

Moreover, under the Polish regulatory regime, we are obliged to keep records of pollutants introduced into the environment and, on the basis of such records as well as reports submitted to the relevant Voivodeship Marshal *(marszałek województwa*), calculate and pay annual charges for using the environment. Entities using the environment are obliged to keep records of pollutants introduced into the air, discharged sewage, intaken water, stockpiled waste and packaging and other items released into the market, where their waste is subject to special rules of management *(e.g.*, tires, batteries, vehicles as well as electric and electronic equipment). The obligation to keep such records is connected with the requirement to provide relevant authorities with periodic reports. On the basis of the abovementioned records as well as reports submitted to the relevant Voivodeship Marshal, such entities are obliged to calculate and pay annual charges for using the environment.

Non-compliance with the requirements set out in specific permits, their ancillary conditions, subsequent orders or other requirements of environmental law may trigger investigative and corrective actions by the authorities. The authorities can, generally, require us to provide information, prevent any or any further hazards or restore compliance. The authority may also, in severe cases, order operational restrictions, a (partial) shutdown of the facility and, under certain circumstances, revoke a permit. Yet, unless there is an immediate risk for human health or the environment the authority will typically grant a hearing to the company and discuss (voluntary or mandatory) measures to restore compliance. Non-compliance may also trigger administrative fines or damage claims; in severe cases the responsible individuals may also be subject to criminal prosecution.

Some HX Group companies are aware of environmental issues at current sites. Yet, these occurrences affect only a limited number of sites and none of them is expected to be material. As with other cases of non-compliance, corresponding issues have, in general, either been solved or are currently being addressed by the respective HX Group companies. For instance, GEA Aircooled Systems (Pty) Ltd. in Germiston, South Africa, discharged wastewater into the storm water drainage without holding the required permit, but the site implemented, as a solution to this issue, a recycling system for effluent water to be re-used. Furthermore, as far as liability risks are concerned, such risks may, in the individual case, be covered by the insurance master cover program taken out by GEA AG. After the end of 2014, HX will require a stand-alone environmental insurance policy (see also "— Insurance"). Finally, several HX Group companies provide for certain measures and expect to incur certain expenditures in order to maintain compliance with the provisions of applicable environmental law in the long term.

Contamination

Where soil or groundwater are contaminated or suspected to be contaminated on our current or former properties, we may be held liable by the authorities. National regimes governing liability for contamination of soil and groundwater can include, for example, obligations to investigate, cleanup, remove, reduce or prevent the migration of detected contaminations from our sites. Authorities may order investigation, remediation or containment measures. Such liabilities regularly affect the party that caused the contamination (polluter) or the owner of the relevant premises, but national laws may also provide that further parties, like the former owner or the party having control of the premises (*i.e.*, the lessee), can be held (jointly or severally) liable for costly remediation measures. For instance, under the Polish regulations the obligations related to potential soil contamination rest with an entity using the environment whose activity causes the occurrence of environmental damage or an imminent threat of such damage (the so-called "polluter pays principle"). This general rule applies to contamination of land that occurred on and after April 30, 2007. However, in respect of the contamination that occurred prior to April 30, 2007 or that could be attributed to the activity completed prior to that date, the land reclamation has to be carried out by the actual holder of the land regardless of whether or not such holder has caused the damage. Contractual agreements under civil law between private parties involved can mitigate such risks but do regularly not protect against authority action.

Soil and groundwater impacts have been identified at a number of our current and former sites; however, we do not expect any of these matters to involve material liability or costs. We have conducted remediation measures on current and former sites where the authorities confirmed completion of our obligations. Some HX Group companies, however, are aware of issues relating to soil and groundwater contamination, including discovery of asbestos-containing materials or polychlorinated biphenyls (PCB), in buildings and installations. However, these occurrences affect only a relatively limited number of sites and none of them are expected to be material. For example, at the site of GEA Ergé-Spirale et Soramat S.A.S., Wingles, France, soil and groundwater contamination is suspected and asbestos-containing material was found in the warehouse roof which may require remediation and appropriate disposal at a later stage. At the site of GEA do Brasil Intercambiadores Ltda., Franco da Rocha, Brazil, a ground water contamination (inter alia by volatile organic compounds ("VOC") and total petroleum hydrocarbons ("TPH")) is present which by now did not require any action other than notifying the environmental protection agency of São Paulo State and performing monitoring of the affected areas on a twice-per-year basis. At the site of GEA Batignolles Thermal Technologies (Changshu) Co. Ltd., Changshu China, the sand blasting and spray-painting working areas are currently under renovation.

At the site of GEA Aircooled Systems (Pty) Ltd. in Germiston, South Africa, leakages occurred in the past and the company discharged wastewater containing hazardous substances into the storm water drainage without prior treatment. Further, surface-borne metals and contaminants may regularly have migrated into the storm water drainage during rainfalls. The scope of these occurrences has not triggered the need for corrective action.

Furthermore, as far as contamination issues and liability risks are concerned, such risks may, in the individual case, be covered by the insurance master cover program taken out by GEA AG. After the end of 2014, HX will require a stand-alone environmental insurance policy (see also "— Insurance").

Product regulation

Our heat exchange products are subject to various product regulations in the countries where they are placed on the market.

In the EU, for example, product regulations such as the EU Machinery Directive 2006/42/EC of May 17, 2006, as amended by Directive 2014/33/EU of February 26, 2014 and the EU Pressure Equipment Directive 97/23/EC of May 29, 1997, as last amended by Regulation (EU) No 1025/2012 of October 25, 2012, are relevant for our product portfolio. These Directives provide the regulatory basis for the harmonization of the essential health and safety requirements for machinery and pressure equipment at EU level. As a manufacturer, we must implement a conformity assessment procedure to ensure compliance with those requirements, issue a declaration of conformity and affix the CE marking on the products. Currently, a recast of the EU Pressure Equipment Directive is in the legislative process. It includes, in particular, stricter obligations with regard to product traceability.

Another example of EU product legislation applying to our heat exchangers are Commission Regulation (EU) No 206/2012 of March 6, 2012 on eco-design requirements for air conditioners and comfort fans and Commissions Regulation (EU) No. 327/2011 of March 30, 2011 with regard to eco-design requirements for fans driven by motors with an electric input power between 125 W and 500 kW. As we are distributors of these products our customers expect compliance with eco-design requirements as with any other applicable product regulation. Under these Regulations related to eco-design, air conditioners must, e.g., comply with requirements related to energy efficiency and sound power. As we manufacture and distribute heat exchangers containing substances depleting the ozone layer we must further comply with the respective legislation. In the EU, for instance, Regulation (EC) No 1005/2009 of September 16, 2009, as amended by Regulation (EU) No 1088/2013 of November 4, 2013, provides for a gradual phase-out of hydro-chloro-fluor-carbons (HCFC), which are, inter alia, used in air conditioning equipment. In addition, the use of certain fluorinated greenhouse gases in air conditioning systems of motor vehicles is gradually prohibited (Directive 2006/40/EC of May 17, 2006). Similar restrictions may apply outside the EU in States implementing the Montreal Protocol on Substances that Deplete the Ozone Layer of September 16, 1987, as amended. At our site in Wurzen, Germany, we are planning to produce without cooling agents by 2017.

Compliance with product regulations is enforced by the authorities on a random sample basis, whistle blowing or notifications of competitors. The authorities can investigate the facts and issue orders, in a worst case scenario sales bans, corrective actions and product recalls.

Product liability

Marketing our products we are subject to provisions on (civil) product liability and may, therefore, be held liable in cases of damage caused by a defective product manufactured by us. In the EU, for example, Directive 85/374/EEC of July 25, 1985, as amended by Directive 1999/34/EC of May 10, 1999, (Product Liability Directive) applies to movables which have been industrially produced. It establishes the principle of objective liability (liability without fault of the producer) in cases of damage caused by a defective product. The Directive applies to damage caused by death or by personal injuries and damage to an item of property intended for private use or consumption, with a lower threshold of €500. The Product Liability Directive does not in any way restrict compensation for non-material damage under national legislation.

Occupational Health and Safety

According to national and international provisions, we are in most jurisdictions obliged to take measures related to health and safety at work. Knowledge of hazardous substances and associated health and safety risks develop over time as the related standards do. In this context, we must, for example, perform risk assessments, maintain registers of hazardous substances and issue working instructions to ensure the safe handling of hazardous substances and manufacturing equipment by our employees. In general, compliance with employment safety regulations is subject to regulatory supervision. We ensure compliance with the applicable legal requirements to protect health and safety of humans involved in our operations. We seek to apply uniform health and safety standards across our business. In our UK operations there has been a potential exposure of three employees and two contractors to asbestos-containing materials in the recent past. We, therefore, established long-term monitoring and entered into an information exchange with the trade union. As at May 2014, no claims or litigation had been brought in relation to this issue.

Chemicals, Hazardous Substances and Goods

For our manufacturing and operational activities, we use various chemicals and hazardous substances being subject to specific regulations on their use and transport in various jurisdictions and on the international level.

For the EU, Regulation (EC) No 1907/2006 of December 18, 2006 (“REACH”), as amended by Commission Regulation (EU) No 317/2014 of March 27, 2014, stipulates the framework for registration, evaluation, authorization and restriction of chemicals. Its main objectives include improving the protection of human health and the environment from the risks that can be posed by chemicals and ensuring the free circulation of substances on the internal market of the EU. Other legislation regulating chemicals or related legislation (*e.g.,* on health and safety of workers handling chemicals, product safety, construction products) are not replaced by REACH and continue to apply. With regard to the use of chemical substances and mixtures we mainly have information obligations under REACH.

As regards the transportation of dangerous goods, for example, at the international level the European Agreement concerning the International Carriage of Dangerous Goods by Road as of September 30, 1957 (*Accord européen relatif au transport international des marchandises Dangereuses par Route*, “ADR”) as amended on January 1, 2013 includes provisions applicable to the carriage of dangerous goods on roads. Pursuant to the ADR, dangerous goods, as a general rule, may be carried internationally in road vehicles subject to compliance with a number of conditions, such as packaging and labeling requirements. Specific dangerous goods (*e.g.*, goods which are poisonous and explosive at the same time) are excluded from carriage on the road.

We handle hazardous substances and due to the age of some of our installations certain substances may be in the building materials which may trigger elevated disposal costs (see above – “*Contamination and other environmental matters*”) or on-going measures for workplace (health and) safety. Further, the handling of hazardous substances such as oil or inflammable liquids is strictly regulated. At our site in Monzingen, Germany, we need to enhance safety of the handling of hazardous substances and liquids, emergency management and fire protection since there may otherwise be a risk of material damages and hazards. The company has taken corrective action which is expected to be finalized in the summer of 2014.

State Aid

Certain HX Group companies have been granted various types of state aid. As a general rule, state aid may be clawed-back if the beneficiary did not comply with the legal requirements set out in applicable laws or the respective grant notices.

A substantial share of subsidies has been granted in favor of German HX Group companies. To a large extent, these benefits consist of payments within a structured aid program received since 2001 (*Gemeinschaftsaufgabe "Verbesserung der Wirtschaftsstruktur" (GRW) / Europäischer Fonds für regionale Entwicklung*). The payments are related to requirements set out in the grant notices (e.g. the obligation to maintain a specific amount of workplaces). In case of non-compliance with such requirements during the binding period of the grant notices (5 years as of project completion), the payments may be clawed-back. Furthermore, this company received subsidies supporting investments in specific regions under the German Law on Investment Premiums (*Investitionszulagengesetz*) (2001-2010). These subsidies may be clawed-back if specific requirements are not complied with (e.g. the subsidized assets are sold) during the 5 year binding period which starts when the investment has been completed.

GEA WTT GmbH, Nobitz, Germany also received tax exemptions under the German Electricity Tax Law (*Stromsteuergesetz*, 2007-2012). Such exemptions may be revoked in case the company did not comply with the legal requirements in the year the exemption was granted. In addition, substantial amounts of state aid were granted to GEA Air Treatment Production GmbH, Wurzen, Germany, (almost €1.9 million), GEA 2H Water Technologies GmbH, Wettringen, Germany, and GEA NEMA Wärmetauscher GmbH, Netzschkau, Germany. Moreover, a notable amount of state aid was granted to HX Group companies outside of Germany. The aid is an exemption of income tax in the past years. GEA Heat Exchangers a.s., Liberec, Czech Republic, received cost-sharing and investment subsidies exceeding CZK 48 million (approximately €2.0 million, converted as of December 31, 2013). GEA Batignolles Thermal Technologies Co. Ltd., Changshu China, received a tax refunding. Under Chinese law, it is in the discretion of the central government to grant or claw-back such refunding.

Compliance

We are subject to the criminal laws applicable in the jurisdictions where we operate. In particular, our managers and employees may be prosecuted in case they commit acts of bribery, corruption, fraud or embezzlement. Those criminal offenses may be punished by imprisonment or penalties. Also, the authorities may impose fines on our companies. Acts of bribery may, as a general rule, constitute criminal offenses if committed by an economic operator in the public or private sector by providing monies or other valuable goods in exchange for a preferential treatment compared to its competitors.

The responsible persons of our companies may, further, be subject to criminal prosecution if they do not comply with national or international export and import control regulations. In this case, the authorities may, in addition, impose fines on our companies. Export control regulations prohibit or restrict, for instance, exports to sanctioned countries or sales to sanctioned persons or organizations. As we have business relationships in sanctioned countries and countries that may be subject to sanctions in the future, we must continuously be aware of any applicable regulations and amendments thereto.

We have very few allegations of potential compliance issues in the ordinary course of business. Such issues are investigated with internal and external auditors but in none of such cases the suspicion of bribery, fraud or embezzlement could be hardened.

MANAGEMENT

Management of HX Holding and HX AT

HX Holding

The corporate bodies of HX Holding are the board of directors (*Geschäftsführung*) and the shareholders' meeting (*Gesellschafterversammlung*). A supervisory or advisory board has not been established at the level of HX Holding. The articles of association of HX Holding specify that the management board shall consist of one or more members. The members of the management board are appointed by the shareholders' meeting. Pursuant to the articles of association of HX Holding, the company is represented by one managing director if and as long as only one managing director has been appointed. If several managing directors have been appointed, HX Holding shall be represented by two managing directors jointly or by one managing director jointly with an authorized signatory (*Prokurist*). The shareholders' meeting may grant sole power of representation to individual managing directors and / or may release them from the restrictions of Section 181 of the German Civil Code (*Bürgerliches Gesetzbuch*). Currently, HX Holding has two managing directors.

HX AT

The articles of association of HX AT specify that the management board shall consist of one or more members. The members of the management board are appointed by the shareholders' meeting. Pursuant to the articles of association of HX AT, the company is represented by one managing director if and as long as only one managing director has been appointed. If several managing directors have been appointed, HX AT shall be represented by two managing directors jointly or by one managing director jointly with an authorized signatory (*Prokurist*). The shareholders' meeting may grant sole power of representation to individual managing directors and/or may release them from the restrictions of Section 181 of the German Civil Code (*Bürgerliches Gesetzbuch*). Currently, HX AT has three managing directors.

Current executive management of HX Holding and HX AT

The names and main responsibilities of the current managing directors of HX Holding and HX AT are:

Name	Age	Appointed	Position
Christoph Michel	43	2013	Chief Executive Officer
Michael Andersen	46	2013	Chief Financial Officer

Below are set out brief summaries of the biographies of our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"):

Christoph Michel was appointed CEO of HX Holding upon its incorporation in 2013 and Managing Director of HX AT in 2014. Mr. Michel's service agreement is concluded for an indefinite period. Mr. Michel has been with the GEA Group and it's predecessor mg technologies AG since 2001. He became a member of the managing board of GEA Heat Exchangers GmbH in 2011 first as Chief Operating Officer and since January 2012 as Chief Executive Officer. Previously, Mr. Michel spent approximately four years at ABB and Alstom in gas turbine engineering and power plant projects. He studied aeronautics and space technology, graduated with an engineering degree from the University of Stuttgart, Germany and obtained an Executive MBA from Fuqua School of Business, Duke University, U.S., in 2004.

Michael Andersen has served as CFO of HX Holding since its incorporation in 2013 and Managing Director of HX AT since 2014. Mr. Andersen's service agreement is concluded for an indefinite period. He was appointed Chief Financial Officer of GEA Heat Exchangers GmbH in 2010. Previously, Mr. Andersen has been with GEA Process Engineering A/S since 1995, where he was first appointed head of Group Controlling in 1995 and later served as Chief Financial Officer between 2000 and 2010. Prior to joining the GEA Group, Mr. Andersen was group controller at Carlsberg A/S in 1994/1995 and worked in the auditing and advisory service division at Arthur Andersen between 1987 and 1995. Mr. Andersen graduated in business economics (Master of Science in Business Economics and Auditing) at Copenhagen Business School, Denmark, in 1992 and became a State Authorized Public Accountant in Denmark in 1994.

The CEO and CFO of HX Holding and HX AT can be contacted under the respective address of HX Holding and HX AT.

Appointment and supervision of the Managing Directors of HX Holding and HX AT

The managing directors of HX Holding and HX AT are appointed by shareholders' resolution of the shareholders of HX Holding and HX AT, respectively. Currently, the articles of association of HX Holding and HX AT do not provide for a supervisory or advisory board. The supervision of the managing directors of HX Holding and HX AT is undertaken by the shareholders' meeting of HX Holding and HX AT, respectively.

Compensation of managing directors of HX Holding and HX AT

The aggregate compensation of our CEO and CFO for the financial year ended December 31, 2013 amounted to approximately €1.6 million. The aggregate compensation is comprised of a fixed component and a performance-related (variable) component (annual bonus). The fixed component consists of a base salary and non-cash benefits such as company cars.

We also maintain a director's and officer's liability insurance (D&O Insurance) for the managing directors of HX Holding and HX AT, which is valid until the Completion Date.

Management of Holding Entities holding the Share Capital of HX Holding and HX AT following the Acquisition

Following the Completion Date, the holding company of the HX Group will be Galapagos Holding S.A., represented by its directors. The directors of Galapagos Holding S.A. are Dr. Thomas Sonnenberg, Michiel Kramer, Heiko Dimmerling and Mats Eklund each of them appointed by the Triton Funds. The number of the directors may change, from time to time.

Name	Age	Appointed	Position
Dr. Thomas Sonnenberg	52	2014	Director
Michiel Kramer	53	2014	Director
Heiko Dimmerling	44	2014	Director
Mats Eklund	42	2014	Director

Dr. Thomas Sonnenberg joined Triton in February of 2014. Before joining Triton he was in-house counsel and Group Head of Legal and Taxes with Sal. Oppenheim jr. & Cie. KGaA, Group Head of Legal and Taxes Sal. Oppenheim jr. & Cie. SCA, Luxemburg, General Counsel to Ferrostaal AG, Essen, Germany and Head of Corporate Governance at HOCHTIEF AG, Essen, Germany. Dr. Sonnenberg holds a law degree from University of Cologne.

Michiel Kramer joined Triton in 2007 as Tax Specialist; he became Manager of the Luxembourg office in 2011. He has 30 years of tax planning and structuring experience, and before joining Triton, he worked for among others, GE and UPS as Tax Director. Mr. Kramer holds a degree in law from the University of Groningen, Netherlands.

Heiko Dimmerling is based in Triton's Luxembourg office. He joined the firm in 2000. He is involved in all aspects of controlling, monitoring and valuing of portfolio companies as well as managing tasks related to tax/finance and corporate law driven issues. Mr. Dimmerling previously worked at Arthur Andersen and at Mehler AG. Mr. Dimmerling has a degree in Business Administration from the University of Applied Sciences, Fulda.

Mats Eklund joined Triton in 2012. Before joining Triton, he worked as chief financial officer of GE Capital EMEA M&A and Private Equity, Head of Financial Planning & Analysis at GE Capital EMEA and in various other positions with GE companies. Mr. Eklund holds a Master of Science degree in Economics and Accounting from University of Gothenburg, School of Business Economics and Law.

The directors of Galapagos S.A. are Thomas Sonnenberg, Michiel Kramer, Mats Eklund and Antonis Tzanetis.

The CEO and CFO of the HX Group will continue to be responsible for the daily operations of HX. However, we cannot assure you that we will be able to retain our current management. See "*Risk Factors—Risks Relating to the Market and our Business—We rely on the experience and talent of our senior management and our ability to recruit and retain key employees for the success of our business.*"

It is anticipated that members of senior management will benefit from a management equity participation plan through investments in Galapagos Management S.C.A.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following legal relationships existed between the Target and related parties in 2011, 2012 and 2013, and in 2014 until and including the date of this offering memorandum. Related parties pursuant to IAS 24 include those entities with whom the Target forms an affiliated group or in which it holds an interest that enables it to exercise a significant influence over the business policy of the associated company, as well as the principal shareholders in the Target, including their affiliates. In addition, related parties also include the members of the Target's boards of directors (*Geschäftsführung*), key management personnel and close members of their families, as well as those entities over which the members of the Target's boards of directors or their close family members are able to exercise a significant influence or in which they hold a significant share of voting rights.

During the three years ended December 31, 2013, the HX Group formed part of the GEA Group and was reported as a segment of the GEA Group in the GEA Group's IFRS consolidated financial statements. Prior to the completion of the Acquisition, we are controlled by GEA AG. GEA AG and its subsidiaries performed and, until the completion of the Acquisition, continue to perform certain central services for us.

Financial Management, Loans and Guarantees

Our capital management and liquidity risk management have in the last financial years been performed at the level of GEA AG, as part of the financial management of the overall GEA Group. For example, we are currently largely financed by GEA Group, partially through finance facilities and partially via cash pools set up by GEA Group. This includes both our use of GEA AG's guarantee lines with banks and the issuance of group guarantees by GEA Group AG in favor of our customers. With respect to the bank guarantees, Triton has committed to undertake best efforts to replace the bank guarantees with a new bank guarantee line taken out by the Senior Secured Notes Issuer. To the extent this is not completed upon the closing of the Acquisition, the Senior Secured Notes Issuer shall provide security to the relevant banks and to GEA AG to cover the risk that any amounts are drawn under such lines with back-to-back bank guarantees. With respect to corporate guarantees already issued by GEA AG for the benefit of third-parties (*e.g.*, our customers) to cover our potential liabilities vis-à-vis such third parties, these shall remain in place and Triton, through Blitz, has undertaken in the context of the Acquisition to indemnify GEA AG for any amounts that may be paid by GEA AG under such guarantees with back-to-back bank guarantees.

For guarantees utilized by our Group companies under the bank guarantee lines of GEA AG and for group guarantees issued by GEA AG in favor of our customers, the beneficiaries are entitled to assert claims under the guarantees if the primary debtor fails to meet its contractual obligations, for example, in the case of late or defective delivery or non-compliance with warranted performance parameters. All guarantees issued by or on the instructions of GEA AG are issued on behalf of and with recourse against the relevant primary debtor. GEA AG recharges to us the costs related to the utilization of GEA AG guarantee lines and group guarantees issued by GEA AG in favor of customers.

The liabilities presented in the following table show the contingent liabilities for which the primary debtor is a company of the HX Group, and for which GEA AG has issued or instructed the issue of bank or group guarantees in favor of customers or lenders as of December 31, 2011, 2012 and 2013:

Contingent liabilities from related party transactions	Bank guarantees as of December 31,			GEA Group guarantees as of December 31,		
	2011	2012	2013	2011	2012	2013
	(in € million) **(audited)**					
Advance payment guarantees	57.0	49.5	47.8	1.2	2.7	2.6
Warranties	48.6	40.4	40.1	3.7	2.6	2.8
Performance guarantees	110.4	121.9	106.3	463.0	437.0	379.6
Other declarations of liability	36.7	21.7	12.8	243.2	171.3	73.5
Total	**252.7**	**233.5**	**206.9**	**711.1**	**613.6**	**458.5**

Relationships with related parties with respect to the HX Group cash pooling arrangements are described under "*Description of Certain Financing Arrangements—Cash Pool.*" Further details relating to the issuance by the GEA Group of guarantees in favor of our customers and our participation in the bank guarantee lines of the GEA Group are included under "*Description of Certain Financing Arrangements—Guarantees.*"

In addition, there are outstanding liabilities between the GEA Group and the HX Group relating to intergroup loans and in relation to the termination of certain domination and profit transfer agreements as of March 31, 2014 which have not yet been paid out. The outstanding liabilities owed by the GEA Group to the HX Group will be settled in the context of the Acquisition and taken into consideration for the calculation of the purchase price. The outstanding liabilities owed by the HX Group to the GEA Group shall be transferred to the Blitz upon completion of the Acquisition.

Service Agreements with the GEA Group and Trademarks

Several service contract relationships exist between us and the GEA Group. Most importantly, the HX Group receives management services and IT services. These relationships are described under "*Business—Material Contracts—Service Agreements between the HX Group and the GEA Group.*"

On the basis of a license agreement, the HX business has used the trademark "GEA.". The Companies of the HX Segment have paid running royalties for this use. These license agreements will be terminated until completion of the Acquisition. By way of a new license agreement to be concluded for a period of 18 months, generally, and in some cases for 30 months, as of the completion of the Acquisition, certain companies of the HX business will be permitted to continue the use of this trademark. The consideration for such interim license is not payable in royalties but contained in the purchase price under the share purchase agreement entered into between, among others, GEA and Blitz.

Impact of Relationships with Related Parties on the Statement of Financial Position and the Income Statement

Income and expenses from our transactions with the GEA Group during the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014 were composed of the following items:

Relationships with related parties in the three months ended March 31, 2014	GEA AG and consolidated companies	Other equity investments of GEA AG
	(in € million) **(unaudited)**	
Revenue	9.0	0.1
Other income	0.2	—
Purchase of goods and services	2.2	—
Other expenses	0.9	—
Interest income	0.1	—
Interest expense	0.7	—

Relationships with related parties in the year ended December 31, 2013	GEA AG and consolidated companies	Other equity investments of GEA AG
	(in € million) **(audited)**	
Revenue	36.8	0.6
Other income	0.2	—
Purchase of goods and services	11.8	—
Other expenses	3.6	—
Interest income	6.0	—
Interest expense	15.9	—

Relationships with related parties in the year ended December 31, 2012	GEA AG and consolidated companies	Other equity investments of GEA AG
	(in € million) **(audited)**	
Revenue	30.8	0.3
Other income	0.6	—
Purchase of goods and services	14.8	—
Other expenses	4.4	—
Interest income	5.0	—
Interest expense	17.5	0.0

Relationships with related parties in the year ended December 31, 2011	GEA AG and consolidated companies	Other equity investments of GEA AG
	(in € million) **(audited)**	
Revenue	28.0	1.1
Other income	0.2	—
Purchase of goods and services	14.4	—
Other expenses	5.3	—
Interest income	3.2	0.0
Interest expense	14.5	0.1

As of December 31, 2011, 2012 and 2013 and March 31, 2014, there were the following open items from transactions between us, on the one hand, and GEA AG and its affiliates, on the other:

Open items from related party transactions as of March 31, 2014	GEA AG and consolidated companies	Other equity investments of GEA AG
	(in € million) **(unaudited)**	
Trade receivables	9.3	0.1
Trade payables	10.0	0.0
Other receivables	11.9	0.0
Other liabilities	96.2	0.0

Open items from related party transactions as of December 31, 2013	GEA AG and consolidated companies	Other equity investments of GEA AG
	(in € million) (audited)	
Trade receivables	10.7	0.1
Trade payables	5.3	0.5
Other receivables	227.2	—
Other liabilities	291.3	0.0

Open items from related party transactions as of December 31, 2012	GEA AG and consolidated companies	Other equity investments of GEA AG
	(in € million) (audited)	
Trade receivables	8.2	0.0
Trade payables	3.0	0.2
Other receivables	367.4	0.0
Other liabilities	578.8	0.0

Open items from related party transactions as of December 31, 2011	GEA AG and consolidated companies	Other equity investments of GEA AG
	(in € million) (audited)	
Trade receivables	6.7	0.2
Trade payables	4.3	0.6
Other receivables	285.1	—
Other liabilities	498.7	37.6

Outstanding amounts are settled by bank transfer and are unsecured.

Relationships with Key Management Personnel

Information on the service agreements concluded with the members of the Target's executive management is included under "*Management*."

Our key management personnel received total remuneration of €2.5 million in the year ended December 31, 2013, €1.9 million in the year ended December 31, 2012 and €4.0 million in the year ended December 31, 2011. Remuneration comprises short-term compensation, post-employment and termination benefits and share-based payments. There were no transactions by our management or its related parties in the three years ended December 31, 2013 and during the three months ended March 31, 2014.

Relationships in Connection with Legal Reorganizations (Carve-Out of the HX Group)

Various legal restructuring measures and other transactions to bundle the activities of the HX Group under the target structure were implemented at the end of fiscal year 2013 in preparation for the planned separation of HX Group from the GEA Group (see "*Business—Group Structure—Carve-Out Measures*"). The counterparties to the transactions conducted with the HX Group were companies affiliated with GEA Group. The transactions related mainly to the purchase and sale of equity interests. Within these restructuring measures, decisions on changes to the carve-out basis were also taken into account in individual cases, *i.e.*, decisions on which assets, liabilities, and companies are attributable to the HX Group. These transactions were accounted for on a predecessor basis in the Group's combined financial statements by recognizing in equity any differences between the consideration and the carrying amount attributable to the contributory or withdrawal character of the transactions. The overall impact of the allocations on the combined financial statements for the year ended December 31, 2013 was €(66.4) million for assets, €(186.2) million for liabilities and €119.8 million for equity. The transferred assets and liabilities (€119.8 million net) primarily relate to net liabilities to GEA Group companies. These figures include a withdrawal from assets and liabilities that were no longer allocated to the HX Group, as these are to remain with GEA Group following the completion of the Acquisition. The assets and liabilities transferred in this way primarily relate on the one hand to a net financial liability of €112.2 million. On the other hand, a net financial liability in the amount of €297.7 million resulting from the restructuring measures described above was withdrawn.

The above figures also include the acquisition of an administrative building and the accompanying land in Bochum by the HX Group (see also "*Business—Real Estate and Leases*"). Prior to the acquisition, the building was mainly used by the HX Group under an operating lease. The HX Group therefore recognized a corresponding rental expense for the period up to the completion of the sale. The purchase price paid for the land (€0.8 million) was below the carrying amount recognized in the consolidated financial statements of GEA Group AG and the fair value. The land was reported in the combined financial statements of the HX Group in accordance with the presentation principles and had a carrying amount of €8.5 million. The remaining difference to the purchase price paid was recognized as a contribution.

Relationships with Triton

Prior to Triton's involvement in the bidding process for the HX Group Triton was not affiliated with the HX Group. In addition, to the best of Triton's knowledge, there were no transactions between the HX Group and Triton before the bidding process commenced.

Under the terms of the Indenture, we will be permitted to pay up to €3.0 million a year to the Triton Funds for annual management, consulting, monitoring or advisory fees and related expenses, as well as any separate engagement of Triton Funds for advisory or other services relating to specific transactions or matters. Prior to the Issue Date, we will enter into an advisory agreement pursuant to which we will pay Triton €13.0 million for advisory services rendered by the Triton Funds in connection with the Transactions. After the Completion Date, Triton may enter into shareholder loan agreements with the HX Group.

SHAREHOLDERS

Following the Transactions, the Target will be indirectly wholly-owned by the Issuers. The Triton Funds will indirectly (through wholly-owned intermediate holding companies) own approximately 90% of the entire share capital of the Issuers, with the remaining 10% owned by Galapagos Management S.C.A. As of the Completion Date, certain employees and members of management are expected to indirectly own approximately 8% of the share capital of the Issuers through Galapagos Management S.C.A.

Triton is a leading private equity investment firm that invests in medium-sized businesses in Northern Europe, and has offices in Frankfurt, Stockholm, London, Shanghai, Jersey and Luxembourg. Its investment philosophy is based on building better businesses and producing superior investment returns through operational improvement and value creation strategies. Triton has executed more than 40 investments since its inception, and its current portfolio comprises 26 companies with combined sales of approximately €13 billion and over 55,000 employees. The Triton management teams and businesses partners have completed more than 100 add-on acquisitions to date.

Institutional investors have committed some €7.7 billion of capital to Triton Funds. In 2013, Triton raised its latest fund, "Triton IV," with capital commitments of €3.5 billion. Triton invests in companies with strong long-term potential in their respective core sectors of industrial manufacturing, business services and consumer/health services. Triton has significant experience in investing in globally operating industrial companies, including Dematic, Dunkermotoren, Elit, GCE, RMG, Rütgers, Stenqvist and Weru.

Current Triton portfolio companies include: Alimak Hek, Alpine Energie, Ambea, Aventics, BC Group, Befesa, Compo, Cubility, DSI, DSVM Group, Europart, European Directories, Inflight Service, Infratek, Kährs, Logstor, Nordic Tankers, OBH Nordica, Orion Engineered Carbons, Ovako, Papyrus, Polygon, Stabilus, Suomen Lähikauppaa, Talis and Wittur.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of the material terms of certain financing arrangements to which we and certain of our subsidiaries are party, and the expected material terms of certain financing arrangements to which we and certain of our subsidiaries intend to become a party, does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. The terms of the Intercreditor Agreement may differ from the terms described below. 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."

Copies of the Intercreditor Agreement, the Senior Revolving Credit Facility Agreement and the Senior Guarantee Facility Agreement are available from us upon request.

Senior Revolving Credit Facility Agreement

On May 18, 2014, the Senior Secured Notes Issuer as parent (the "Parent"), borrower and guarantor, Galapagos BidCo as company, borrower and guarantor and Blitz as bidco, borrower and guarantor entered into the Senior Revolving Credit Facility Agreement providing for a multi-currency revolving credit facility in the aggregate amount of €75.0 million (with an option for one or more additional revolving credit facilities in a maximum amount of initially €25.0 million (which amount is capable of being increased from time to time proportionate to the increase in the EBITDA resulting from any acquisition permitted under the Senior Revolving Credit Facility Agreement) (each an "Additional Revolving Credit Facility") exercisable by the Parent subject to certain requirements being met).

The Senior Revolving Credit Facility will be available to be drawn from the Completion Date only and matures on the date falling six years after the Issue Date and may be used for the general corporate purposes of the Group (including the provision of cash cover in respect of guarantees, letters of credit or similar instruments but not towards prepayment, repayment, purchase, defeasance or redemption of, or the payment of any interest on, the Notes and any Permitted Refinancing Indebtedness Debt (as defined in "*Description of the Senior Secured Notes"*)), other than in respect of Ancillary Facilities, the Senior Revolving Credit Facility may be used for the drawing of loans (in euro and U.S. dollar or any other currency or currencies agreed by all relevant lenders). Any loan made available under the Senior Revolving Credit Facility shall be repaid on the last day of its interest period and all amounts outstanding under the Senior Revolving Credit Facility must be repaid on the termination date.

Ancillary Facilities

Under the Senior Revolving Credit Facility (and any Additional Revolving Credit Facility), a lender (or an affiliate of a lender) may make available an ancillary facility by way of an overdraft facility, documentary, bonding or standby letters of credit, a guarantee, a short term loan facility, a derivatives facility, a foreign exchange facility or any other facility or accommodation required in connection with the business of the Parent and its Restricted Subsidiaries (as defined in "*Description of the Senior Secured Notes"*), to a borrower (or an affiliate of a borrower) in place of all or part of its unutilized commitment (provided the maximum total amount of all ancillary facility commitments may not exceed 50 per cent. of the total commitments under the Senior Revolving Credit Facility (and any Additional Revolving Credit Facility) at any time).

Interest and Fees

The Senior Revolving Credit Facility will bear interest at a rate of LIBOR or, in relation to loans in euro, EURIBOR, plus the applicable margin. The initial applicable margin in relation to the Senior Revolving Credit Facility will be 3.25% per annum and will be, after twelve months from the date of the Senior Revolving Credit Facility Agreement and if no event of default has occurred and is continuing, a percentage rate per annum determined in accordance with a net leverage ratio related margin grid with a range from 2.50% per annum to 3.25% per annum.

We are required to pay a commitment fee on the available but undrawn commitments under the Senior Revolving Credit Facility at a rate of 30% of the applicable margin (within three business days following the last day of each successive three months which ends) during the period commencing on the earlier of the date falling six months after the date of the Acquisition Agreement and the Completion Date and ending on the last date of the availability period.

We are also required to pay customary fees in relation to the issuance of ancillary facilities and certain fees to the agent under the Senior Revolving Credit Facility (the "Revolving Agent") and the Security Agent in connection with the Senior Revolving Credit Facility.

Guarantees and Security

The Senior Revolving Credit Facility Agreement will be guaranteed by the Parent, Galapagos BidCo, Blitz and, within, in the case of any Guarantor incorporated under German law 45 days or, in the case of any Guarantor incorporated in any jurisdiction other than Germany, 90 days, following the Completion Date, the Guarantors and will be secured by the same Collateral that secures the Senior Secured Notes and the Senior Secured Notes Guarantees.

The Senior Revolving Credit Facility Agreement further provides that, provided that the Completion Date has occurred and subject to agreed security principles, on the date falling 90 days after the due date for the delivery of the annual financial statements each material subsidiary of the Parent becomes a party to the Senior Revolving Credit Facility Agreement and that the aggregate of earnings before interest, tax, depreciation and amortization of all guarantors (calculated on an unconsolidated basis and excluding all intra-group items and investments in subsidiaries) represent not less than 90 per cent. of consolidated EBITDA (as defined in and calculated in accordance with the Senior Revolving Credit Facility Agreement) and their aggregate gross assets (calculated on an unconsolidated basis and excluding all intra-group items and investments in subsidiaries) represent not less than 85 per cent of the consolidated gross assets of the Parent and its subsidiaries from time to time (for this purpose disregarding from EBITDA and consolidated gross assets the earnings before interest, tax, depreciation and amortization and assets of any subsidiary of the Parent that is not required to grant security or guarantee in accordance with the agreed security principles and provided that when calculating the aggregate earnings before interest, tax, depreciation and amortization of any guarantor any negative earnings before interest, tax, depreciation and amortization generated by that guarantor, shall be taken into account as zero).

Voluntary Prepayment and Mandatory Prepayment

Subject to certain conditions, we may voluntarily prepay our utilizations and/or permanently cancel all or part of the available commitments under the Senior Revolving Credit Facility by giving four business days prior written notice to the Revolving Agent. Amounts prepaid or repaid may be reborrowed.

In addition to voluntary prepayments, the Senior Revolving Credit Facility Agreement requires mandatory prepayment and cancellation of the Senior Revolving Credit Facility:

- with respect to any lender, if it becomes unlawful for such lender to perform any of its obligations under the Senior Revolving Credit Facility Agreement or to fund, issue or maintain its participation in any utilization under the Senior Revolving Credit Facility Agreement; and
- with respect to any lender, in case of a "Change of Control" (as defined in the Senior Revolving Credit Facility Agreement), that requires prepayment after the expiry of a 30 days negotiation period within a notice period of further 30 days and gives notice of cancellation.

If at any time, the aggregate principal amount of the Notes as of the Issue Date, has been reduced by more than 25% (the "prepayment threshold"), undrawn commitments under the Senior Revolving Credit Facility will be mandatorily cancelled in an amount which is pro rata to any amount equal to any additional voluntary redemption or by mandatory redemption of the Notes in excess of the prepayment threshold.

Financial Covenants

Subject to the following paragraph, we must procure that consolidated EBITDA (as defined in and calculated in accordance with the Senior Revolving Credit Facility Agreement) of the Parent is at least an amount which is equal to the amount which is 40 per cent. below the EBITDA amount in the base case model delivered to the Revolving Agent and agreed with the lenders prior to the first utilization of the Senior Revolving Credit Facility (as adjusted from time to time in a proportional amount in case of a permitted disposal or permitted acquisition) (the "Minimum EBITDA Covenant"). The Minimum EBITDA Covenant is tested (and must only be complied with) on each date falling on the last day of each of the Parent's financial quarter on which the aggregate amount of loans under the Senior Revolving Credit Facility and cash drawings under any ancillary facilities (if any) on that date exceeds 30 per cent. of the total commitments under the Senior Revolving Credit Facility and will be tested in respect of the twelve months ending on the last day of that financial quarter.

We are permitted to cure or prevent, within a certain period of time, a breach of the Minimum Equity Covenant by injecting additional amounts of new equity/subordinated debt (such amount being added to EBITDA for the relevant period and for each of the three next following financial quarters), provided that we are not permitted to over cure a breach, to cure or prevent a breach in consecutive financial quarters and to cure and prevent any breach more than four times over the life of the Senior Revolving Credit Facility.

In addition, we must not draw any loan under the Senior Revolving Credit Facility if on the proposed utilization date the aggregate amount of loans under the Senior Revolving Credit Facility and cash drawings under any ancillary facilities (if any) date exceeds 30% of the total commitments under the Senior Revolving Credit Facility if the Minimum EBITDA Covent was not or would not have been complied with (if tested) on the last day of the immediately preceding financial quarter.

General Undertakings

Our Group is subject to certain restrictive and, as the case may be, affirmative covenants under the Senior Revolving Credit Facility Agreement customary for these types of financing which are subject to certain specified exceptions and qualifications (customized to our business and adjusted to our current credit standing). These restrictive and affirmative covenants largely replicate those covenants which apply under the Senior Secured Notes subject to certain agreed amendments and exceptions but also provide for further customary restrictive and affirmative covenants. Additionally, under the Senior Revolving Credit Facility Agreement we have the obligation to provide certain financial information and other information regarding our financial condition to the lenders.

Events of Default

The Senior Revolving Credit Facility Agreement sets out certain events of default which are customary for such types of financing (including, subject to a materiality threshold of €20.0 million in aggregate, a cross-payment default and a cross-acceleration default in relation to the Senior Secured Notes and other financial indebtedness of the Restricted Group). The occurrence of any such event of default would, subject to any applicable grace periods or cure rights and agreed exceptions, entitle the lenders to cancel their commitments, declare that all or part of the loans (together with accrued interest and all other amounts accrued or outstanding under the finance documents in respect of the Senior Revolving Credit Facility (including any ancillary facility)) be immediately due and payable or payable on demand and declare that cash cover in respect of each letter of credit or bank guarantee is immediately due and payable or payable on demand.

Senior Guarantee Facility Agreement

On May 18, 2014, the Parent as parent, borrower and guarantor, Galapagos BidCo as company, borrower and guarantor and Blitz as bidco, borrower and guarantor entered into the Senior Guarantee Facility Agreement providing for multi-currency revolving guarantee, indemnity and letter of credit facilities in the aggregate amount of €400.0 million (with an option for one or more additional revolving guarantee, indemnity and/or letter of credit facilities in a maximum amount of initially €50.0 million (which amount is capable of being increased from time to time proportionate to the increase in the EBITDA resulting from any acquisition permitted under the Senior Guarantee Facility Agreement) (each an "Additional Guarantee Facility") exercisable by the Parent subject to certain requirements being met).

Each Senior Guarantee Facility is available from the Completion Date and matures on the date falling six years after the Issue Date and may be used for letters of credit to be issued either to GEA AG, any bank or financial institution that has issued or any other person being a guarantor under any letter of credit, guarantee, indemnity or other instrument issued before the Completion Date in respect of any liability or obligation of a member of the HX Group and for general corporate purposes of the Group (other than moneys borrowed), each Senior Guarantee Facility may be used by way of letters of credit, guarantees, indemnities or other instruments in a form requested by a borrower and agreed by the respective lender or lenders (each a "Letter of Credit") (in each case in euro and U.S. dollar or any other currency or currencies agreed).

Letter of Credit Fee and Other Fees

We are required to pay a letter of credit fee at a rate which is initially 2.50% per annum on the outstanding amount of each Letter of Credit issued under each Senior Guarantee Facility. After twelve months from the date of the Senior Guarantee Facility Agreement and if no event of default has occurred and is continuing, the letter of credit fee will be a percentage rate per annum determined in accordance with a net leverage ratio related margin grid with a range from 2.00% per annum to 2.50% per annum.

We are required to pay a commitment fee on the available but undrawn commitments under each Senior Guarantee Facility at a rate of 30% of the applicable margin (within three business days following the last day of each successive three months which ends) during the period commencing on the earlier of the date falling six months after the date of the Acquisition Agreement and the Completion Date and ending on the last date of the availability period. The letter of credit fee is payable in arrears on the last day of each successive period of three months ending on the last date of each of the Parent's financial quarters.

In addition, we are required to pay customary fees and commission in relation to the issuance of letters of credit and certain fees to the agent under the Guarantee Facility (the "Guarantee Agent") and the Security Agent in connection with the Guarantee Facilities.

Guarantees and Security

The Senior Guarantee Facility Agreement will be guaranteed by the Parent, Galapagos BidCo, Blitz and, within, in the case of any Guarantor incorporated under German law, 45 days, or, in the case of any Guarantor incorporated in any jurisdiction other than Germany, 90 days following the Completion Date, the Guarantors and will be secured by the same collateral that secures the Senior Secured Notes and the Senior Secured Notes Guarantees.

The Senior Guarantee Facility Agreement further provides that, provided that the Completion Date has occurred and subject to agreed security principles, on the date falling 90 days after the due date for the delivery of the annual financial statements each material subsidiary of the Parent becomes a party to the Senior Guarantee Facility Agreement and that the aggregate of earnings before interest, tax, depreciation and amortization of all guarantors (calculated on an unconsolidated basis and excluding all intra-group items and investments in subsidiaries) represent not less than 90 per cent. of consolidated EBITDA (as defined in and calculated in accordance with the Senior Guarantee Facility Agreement) and their aggregate gross assets (calculated on an unconsolidated basis and excluding all intra-group items and investments in subsidiaries) represent not less than 85 per cent. of the consolidated gross assets of the Parent and its subsidiaries from time to time (for this purpose disregarding from EBITDA and consolidated gross assets the earnings before interest, tax, depreciation and amortization and assets of any subsidiary of the Parent that is not required to grant security or guarantee in accordance with the agreed security principles or and provided that when calculating the aggregate earnings before interest, tax, depreciation and amortization of any guarantor any negative earnings before interest, tax, depreciation and amortization generated by that guarantor, shall be taken into account as zero).

Voluntary Prepayment and Mandatory Prepayment

Subject to certain conditions, we may voluntarily cancel any Letter of Credit or permanently cancel all or part of the available commitments under each Senior Guarantee Facility by giving four business days prior written notice to the Agent.

In addition, the Senior Guarantee Facility Agreement requires mandatory collateralization and cancellation of the Letters of Credit and, as the case may be, each Senior Guarantee Facility:

- with respect to any lender, if it becomes unlawful for such lender to perform any of its obligations under the Senior Guarantee Facility Agreement or to fund, issue or maintain its participation in any utilization under the Senior Guarantee Facility Agreement;
- with respect to any lender, in case of a “Change of Control” (as defined in the Senior Guarantee Facility Agreement), that requires prepayment after the expiry of a thirty (30) days negotiation period within a notice period of further thirty (30) days and gives notice of cancellation.

If at any times, the aggregate principal amount of the Notes as of the Issue Date, has been reduced by more than 25% (the “prepayment threshold”), undrawn commitments under each Senior Guarantee Facility will be mandatorily cancelled in an amount which is pro rata to any amount equal to any additional voluntary redemption or by mandatory redemption of the Notes in excess of the prepayment threshold.

General Undertakings

Our Group is subject to certain restrictive and, as the case may be, affirmative covenants under the Senior Guarantee Facility Agreement customary for these types of financing which are subject to certain specified exceptions and/or qualifications (customized to our business and adjusted to our current credit standing). These restrictive and affirmative covenants largely replicate those covenants which apply under the Senior Secured Notes subject to certain agreed amendments and exceptions but also provide for further customary restrictive and affirmative covenants. Additionally, under the Senior Guarantee Facility Agreement we have the obligation to provide certain financial information and other information regarding our financial condition to the lenders.

Events of Default

The Senior Guarantee Facility Agreement sets out certain events of default which are customary for such type of financing (including, subject to a materiality threshold of €20.0 million in aggregate, a cross-payment default and a cross-acceleration default in relation to the Senior Secured Notes and, subject to a materiality threshold of €20.0 million in aggregate, other financial indebtedness of the Restricted Group and a cross-default in relation to any event of default under the Senior Revolving Credit Facility Agreement which is continuing resulting from the breach of the Minimum EBITDA Covenant under the Senior Revolving Credit Facility Agreement). The occurrence of any such event of default would, subject to any applicable grace periods and/or cure rights and/or agreed exceptions, entitle the lenders to cancel their commitments, declare that all or part of the amounts accrued or outstanding (including any such amounts accrued or outstanding under or in connection with any ancillary facility) be immediately due and payable or payable on demand, require the provision of cash cover in full in relation to any Letter of Credit and declare that cash cover in respect of each Letter of Credit. The cross-default in relation to any event of default under the Senior Revolving Credit Facility Agreement which is continuing resulting from the breach of the Minimum EBITDA Covenant under the Senior Revolving Credit Facility Agreement does not result in any draw-stop in relation to any Senior Guarantee Facility unless the lenders have exercised any of their acceleration rights in relation to each Senior Guarantee Facility.

Intercreditor Agreement

You can find definitions of certain terms used in this description under the subheading “—Definitions”.

In connection with entering into the Senior Revolving Credit Facility Agreement, the Senior Guarantee Facility Agreement (together with the Senior Revolving Credit Facility Agreement, the “Credit Facilities Agreements”) and the Indentures, on or prior to the Issue Date, the Senior Notes Issuer (“Topco”), the Senior Secured Notes Issuer (the “Parent”), Galapagos BidCo (the “Company”) and Blitz (“Bidco”) will enter into an intercreditor agreement (the “Intercreditor Agreement”) to govern the relationships and relative priorities among: (i) the creditors under the Senior Revolving Credit Facility (the “Revolving Lenders”); (ii) the creditors under the Senior Guarantee Facility (the “Guarantee Lenders” and together with the Revolving Lenders, the “Credit Facility Lenders”); (iii) the Security Agent; (iv) the hedge counterparties under certain (present or future) hedging agreements (the “Hedge Counterparties”); (v) the Senior Secured Notes Trustee on behalf of itself and the holders of the Senior Secured Notes (the “Senior Secured Noteholders”); (vi) the High Yield Notes Trustee on behalf of itself and the holders of the High Yield Notes (the “High Yield Noteholders”); (vii) certain intra-group creditors and debtors; (viii) certain future creditors of the Group and (ix) various creditor representatives.

General

Any member of the Group that incurs, *inter alia*, any liability or provides any guarantee under the Senior Revolving Credit Facility, the Senior Guarantee Facility (together with the Senior Revolving Credit Facility, the "Credit Facilities"), the Senior Secured Notes Indenture, the agreements governing any other Pari Passu Debt Liabilities (as defined below), the High Yield Notes Indenture, or the agreements governing any other High Yield Liabilities (as defined below) is referred to in this description as a "Debtor".

The Intercreditor Agreement will set out, among other things:

- the relative ranking of certain indebtedness of the Debtors, Topco or any Topco Affiliate;
- the relative ranking of certain security granted by the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors, Topco or any Topco Affiliate;
- when enforcement actions can be taken in respect of that indebtedness;
- the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit a sale of the Collateral.

The Intercreditor Agreement will contain provisions relating to future indebtedness that may be incurred by the Debtors provided that it is permitted by the terms of the Senior Revolving Credit Facility Agreement, the Senior Guarantee Facility Agreement, the Senior Secured Notes Indenture, the Intercreditor Agreement and any other relevant debt documents, which may rank pari passu to the Senior Secured Notes and be secured by the Collateral, subject to the terms of the Intercreditor Agreement (together with all liabilities under the Senior Secured Notes, the "Pari Passu Debt Liabilities"). The creditors of the Pari Passu Debt Liabilities (the "Pari Passu Debt Creditors") will have rights under the Intercreditor Agreement which are summarized below. In addition, the Intercreditor Agreement will contain provisions relating to future indebtedness that may be incurred by Topco and/or Topco Affiliate provided it is permitted by the terms of the High Yield Notes Indenture, the Intercreditor Agreement and any other relevant debt documents, which may rank pari passu to the High Yield Notes (together with all liabilities of the Senior Notes Issuer under the High Yield Notes, the "High Yield Liabilities").

The Intercreditor Agreement will also allow for a refinancing and any increase of the Credit Facility Liabilities, any Pari Passu Debt Liabilities or any High Yield Liabilities in full or in part. For the purposes of this description, any references to the Credit Facility, the Revolving Lenders, the Guarantee Lenders, the Credit Facility Liabilities (as defined below), the Senior Secured Notes, the Senior Secured Noteholders, the Pari Passu Liabilities, the High Yield Notes, the High Yield Noteholders and the High Yield Liabilities should be read as including any such refinancing debt.

By accepting any Notes the relevant holder thereof shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement.

The following description is a summary of certain provisions, among others, that will be contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety, nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt. As such, we urge you to read the Intercreditor Agreement because it, and not the discussion which follows, defines the rights of the Senior Secured Noteholders, the Credit Facility Lenders and the High Yield Noteholders.

Ranking and Priority

The Intercreditor Agreement will provide, subject to the provisions regarding permitted payments (as described below), that all present and future liabilities and obligations of any Debtor under (i) the Credit Facilities (the "Credit Facility Liabilities"), (ii) the hedging agreements entered into by the Hedge Counterparties for the purpose of (A) hedging any foreign exchange or interest rate exposures in connection with any Credit Facility Liabilities (other than under the initial Credit Facility Agreements), any Pari Passu Debt Liabilities, any High Yield Liabilities, and (B) up to a cap of €30.0 million (or its equivalent) (calculated on the basis of a non-credit related close-out) hedging in respect of any exposures to foreign exchange rates and that are not prohibited under the terms of the Credit Facility Documents, the Pari Passu Debt Documents and the High Yield Documents (the "Super Senior Hedging Liabilities"), (iii) the hedging agreements (together with the hedging agreements described under paragraph (ii), the "Hedging Agreements") which are not Super Senior Hedging Liabilities and that are not prohibited under the terms of the Credit Facility Documents, the Pari Passu Debt Documents and the High Yield Documents (the "Pari Passu Hedging Liabilities"), and (iv) the Pari Passu Debt will rank pari passu in right and priority of payment without any preference or payment between them. In addition, the Intercreditor Agreement will provide, subject to the provisions regarding permitted payments below, that any liabilities arising under any guarantees provided by a member of the Group in respect of High Yield Liabilities (the "High Yield Guarantee Liabilities") will rank pari passu in right and priority of payment without any preference or payment between themselves but behind each of the Credit Facility Liabilities, the Super Senior Hedging Liabilities, the Pari Passu Hedging Liabilities and the Pari Passu Debt Liabilities.

All these liabilities will rank ahead of (i) any liabilities of any Debtor (other than the Company) to another member of the Group (the "Intra-Group Liabilities"), (ii) any liabilities of the Company to the Parent (the "Parent Liabilities") and (iii) any liabilities of the Parent to Topco or a Topco Affiliate (the "Topco Liabilities"). The Intercreditor Agreement does not purport to rank the Intra-Group Liabilities, the Parent Liabilities and the Topco Liabilities as between themselves.

Collateral

For the purposes of the description of the Intercreditor Agreement only, collateral does not include the High Yield Debt Non-Shared Security.

The Revolving Lenders, the Guarantee Lenders, the Hedge Counterparties, the Pari Passu Debt Creditors and the Security Agent will benefit from a common security package (which will be subject to customary limitations on guarantees and security) and (subject to customary exceptions) no Debtor may grant any security unless such security is also, to the extent legally possible, at the same time granted for the benefit of the other senior secured creditors of the Parent and its Restricted Subsidiaries. The creditors of the High Yield Liabilities will be secured by, among others, second ranking security over any shares in the Company and over any loans, bonds or other debt instrument issued by the Parent and the Company to any of its respective shareholders (the "High Yield Debt Shared Security") and first ranking (non-shared) security over the shares in Parent (the "High Yield Debt Non-Shared Security"). The High Yield Debt Non-Shared Security is not regulated in the Intercreditor Agreement.

The proceeds from any recoveries from enforcement of Collateral will be paid out as described below under "*—Application of proceeds*".

The Collateral shall rank and secure the following liabilities (but only to the extent that such security is expressed to secured those liabilities) in the following order:

- *first*, the liabilities owed to the Security Agent, certain amounts owed to any representative of any Creditor of Credit Facility Liabilities, Pari Passu Debt Liabilities and the High Yield Liabilities *pari passu* and without preference between them;
- *second*, the Credit Facility Liabilities, the Super Senior Hedging Liabilities, the Pari Passu Hedging Liabilities and the Pari Passu Debt Liabilities *pari passu* and without preference between them; and
- *third*, in the case of any Collateral which is any High Yield Debt Shared Security only, the High Yield Liabilities.

Such ranking among Collateral shall be expressed to be achieved by the provisions of the Intercreditor Agreement, irrespective of the order of execution, creation, registration, notice, enforcement or otherwise. The creditors of High Yield Liabilities may not, until the later of the date on which all Credit Facility Liabilities and Super Senior Hedging Liabilities and the date on which all Pari Passu Debt Liabilities and Pari Passu Hedging Liabilities (the "Secured Debt Discharge Date") have been fully and finally discharged, take any steps to appropriate the assets subject to Collateral (including any High Yield Debt Shared Security) and will not take any enforcement action.

In addition, the Intercreditor Agreement provides that the guarantees and Collateral (and, without limitation, the High Yield Debt Shared Security) will be released in certain circumstances described further below in "*—Release of security and guarantees—non-distressed disposals*" and "*—Release of security and guarantees—Distressed Disposals*".

Permitted Payments

Prior to the occurrence of an acceleration event or the enforcement of any Collateral, the Intercreditor Agreement will permit payments to be made by the Debtors with respect to the Credit Facility Liabilities and the Pari Passu Debt Liabilities (without prejudice to any restriction contained in the Credit Facility Documents (such payment, a "Permitted Pari Passu Debt Liability Payment") and does not limit or restrict any other payment by any Debtor other than in respect of Super Senior Hedging Liabilities, Pari Passu Hedging Liabilities, High Yield Liabilities, Intra-Group Liabilities, Topco Liabilities and Parent Liabilities. The Intercreditor Agreement will subject to certain customary prerequisites also permit payments with respect to Super Senior Hedging Liabilities and Pari Passu Hedging Liabilities.

Prior to the Secured Debt Discharge Date, no payments may be made in respect of the High Yield Liabilities without the prior consent of the Agent (or any other agent in relation to any Credit Facility) and (to the extent prohibited under any document pertaining to the Pari Passu Debt Liabilities) the relevant creditors' representative of any Pari Passu Debt Liabilities. Such restrictions do not apply in addition to certain other specific situations, to the (without limitation) following payments (together, the "High Yield Liabilities Permitted Payments"):

- if no high yield payment stop notice has been given by the agent under the Credit Facilities or by a representative of the Pari Passu Debt Creditors and no payment default in relation to any Credit Facility Liabilities, any Super Senior Hedging Liabilities, any Pari Passu Debt Liabilities or any Pari Passu Hedging Liabilities has occurred and is continuing:
  - any payment of the principal amount (including such principal amount of High Yield Liabilities pursuant to the exercise of any put option or required purchase obligation contained in the High Yield Notes Indenture or pursuant to any optional redemption provisions contained in the High Yield Notes Indenture, in each case, as not prohibited under the Credit Facility Agreements, the Pari Passu Facility Agreements, the pari passu notes indenture(s) pursuant to

which any Pari Passu Notes are outstanding) or capitalized interest of the High Yield Liabilities which is either not prohibited by the any Credit Facility Document and any Pari Passu Debt Documents or paid on or after the final originally scheduled maturity date of the High Yield Liabilities (provided that such maturity date is a date not earlier than six months after the latest originally scheduled maturity date of the Senior Secured Notes and the latest originally scheduled maturity date of any Credit Facility at the time of the incurrence of such High Yield Liabilities) and any payment of any other amount which is not an amount of principal or capitalized interest;

  - additional amounts payable as a result of the tax gross-up and/or tax indemnity provisions relating to the High Yield Liabilities and amounts in respect of currency indemnities, increased costs and expenses in relation to in the High Yield Notes Indenture (excluding any expenses in relation to taking any action against any of the Primary Creditors);
  - bona fide consent fees (and any indemnities and fees under any consent solicitation agent documentation) and any costs and expenses in connection with any amendment or waiver of the High Yield Documents; or
  - any other amount which is not principal or capitalized interest and any corresponding amount to (or not exceeding) any amount to be paid under a proceeds loan;

- any payment with the prior consent of the relevant majority of the creditors of the Credit Facility Liabilities and the Super Senior Hedging Liabilities and the creditors' representatives of any Pari Passu Debt Liabilities and any Pari Passu Hedging Liabilities;
- any payment of any amount owed to any creditors' representative of High Yield Liabilities;
- any payment by Topco or a Topco Affiliate of any High Yield Liabilities (if such payment is not financed by a payment from any member of the Group to Topco or any Topco Affiliate which was prohibited by the Credit Facility Documents or the Pari Passu Debt Documents); or
- any payment of certain permitted administration costs of Topco, or any Topco Affiliate.

On or after the Secured Debt Discharge Date, the Debtors may make payments to the High Yield creditors in respect of the High Yield Liabilities in accordance with the High Yield Documents (the "High Yield Creditors").

Furthermore, the Debtors may make payments to lenders of Intra-Group Liabilities provided that there has been no acceleration event. No payments may be made in respect of Topco Liabilities or Parent Liabilities except as not prohibited by the Credit Facilities Agreements and any Pari Passu Debt Documents or, in case of Topco Liabilities, any payment in respect of and in an amount equal to a High Yield Liabilities Permitted Payment which is then due or, in the case of Parent Liabilities, any payment in respect of any Pari Passu Liabilities, amounts owed to any creditors' representative or administrative costs which is a Permitted Pari Passu Debt Liability Payment which is then due.

An acceleration event includes the relevant creditor representative exercising any or all of its rights under the acceleration provisions of the Credit Facilities Agreements (other than cancelling the commitments under Credit Facilities or placing amounts on demand, but including the making of a demand in respect of amounts placed on demand and exercising or directing the Security Agent to exercise any of its rights, remedies, powers or discretions under the finance documents), or any other acceleration provisions under any replacement facility agreement, any Pari Passu Debt Document (including the Senior Secured Notes Indenture) and any High Yield Document (including the High Yield Notes Indenture).

Limitations on Enforcement

The Security Agent may refrain from enforcing the Collateral unless otherwise instructed by the Instructing Group.

For the purposes of enforcement, "Instructing Group" means either (i) more than 66 ⅔% by value of a combined class of Credit Facility Lenders and Super Senior Hedge Counterparties (the "Majority Super Senior Creditors"); or (ii) a simple majority by value of a combined class of, Pari Passu Debt Creditors and Hedge Counterparties to the extent they are owed any Pari Passu Hedging Liabilities (the "Majority Pari Passu Creditors"), determined in accordance with "*—Conflicting enforcement instructions*" below. Hedge Counterparties will vote in accordance with the mark-to-market value of their exposure (in respect of hedging which has not been closed out) or the close-out amount owing to them (in respect of hedging which has been closed out).

The Security Agent is not obliged to enforce the Collateral until it has received any indemnification and/or security that it may in its discretion require.

If either the Majority Super Senior Creditors or the Majority Pari Passu Creditors wish to instruct the Security Agent to commence enforcement of any of the Collateral, they must give at least 10 business days' notice of the proposed enforcement instructions to the Security Agent and the Security Agent shall promptly forward such instructions to the creditor representatives for the other creditor classes. In the case that the Security Agent does not receive enforcement instructions from all creditor classes which match each other, the earlier of the date of the latest such conflicting enforcement instructions or lapse of the 10 business days' notice period will commence a 30 day consultation period during which time the creditor representatives for each of the creditor classes must consult with each other in good faith with a view to coordinating the proposed instructions.

A creditor representative is not obliged to consult as described above (or is only obliged to consult for a shorter period) if:

- an insolvency event has occurred with respect to a Debtor;
- the Majority Super Senior Creditors or the Majority Pari Passu Creditors determine in good faith that to do so and thereby delay the commencement of enforcement could reasonably be expected to have a material adverse effect on (A) the Security Agent's ability to enforce any of the Collateral or (B) the realization proceeds available to that creditor group of any enforcement of the Collateral in any material respect; or
- the creditor representatives so agree.

Conflicting Enforcement Instructions

At the end of the consultation period, the Security Agent must act on the instructions of the Instructing Group as to the enforcement of the Collateral provided that those instructions are consistent with the security enforcement principles (see further below).

If there are conflicting enforcement instructions given to the Security Agent by the different classes of creditors who can constitute the Instructing Group, then, provided that the Majority Pari Passu Creditors have complied with the consultation process set out above and those instructions are consistent with the security enforcement principles, the enforcement instructions from the Majority Pari Passu Creditors will prevail over those of the Majority Super Senior Creditors and the Majority Pari Passu Creditors will constitute the Instructing Group.

If (a) the Security Agent has not taken any enforcement action within three months of the date of the first enforcement instructions or (b) the Revolving Lenders, Guarantee Lenders and Super Senior Hedge Counterparties have not been repaid in full within six months of the date of the first enforcement instructions, any enforcement instructions given by the Majority Super Senior Creditors will then prevail, provided that they are consistent with the security enforcement principles.

Any enforcement instructions given must comply with certain security enforcement principles and the enforcement objective, including:

- to achieve the enforcement objective, namely to maximize the recovery of all of the secured parties, so far as is consistent with a prompt and expeditious enforcement and the rights and obligations of the Security Agent under the terms of the Intercreditor Agreement and applicable laws;
- all enforcement proceeds will be received by the Security Agent in cash for distribution in accordance with the Intercreditor Agreement, or, if the Instructing Group is the Majority Pari Passu Creditors, sufficient enforcement proceeds will be received by the Security Agent in cash to ensure that, after distribution in accordance with the Intercreditor Agreement, the Credit Facility Liabilities and Super Senior Hedging Liabilities will be repaid in full;
- to the extent that the enforcement is over Collateral other than capital stock with an aggregate book value exceeding €5,000,000 or is over capital stock, the Security Agent shall, upon request Majority Super Senior Creditors or the Majority Pari Passu Creditors, obtain an opinion from a Financial Advisor that the proceeds received from such enforcement are fair from a financial point of view after taking into account all relevant circumstances, provided that no Financial Advisor opinion is required if such enforcement action (i) is conducted by way of Public Auction or (ii) would result in receipt of sufficient proceeds by the Security Agent in cash to ensure that, after distribution in accordance with the Intercreditor Agreement, (A) in the case of an enforcement requested by the Majority Super Senior Creditors, the Secured Debt Discharge Date has occurred and all High Yield Liabilities have been fully and finally discharged or (B) in the case of an enforcement requested by the Majority Super Senior Creditors, the Super Senior Hedging Liabilities and the Credit Facility Liabilities have been fully and finally discharged in full. The Financial Adviser's opinion will be conclusive evidence that the security enforcement principles have been met.

"Financial Adviser" means any independent internationally recognized investment bank, any independent internationally recognized accountant firm or, if it is not practicable for the Security Agent to appoint any such bank or accountant firm on commercially reasonable terms (including for reasons of conflicts of interest) as determined by the Security Agent (acting in good faith), any other independent internationally recognized professional service firm, which, in each case, is regularly engaged in providing valuations of businesses or financial assets or, where applicable, advising on competitive sale processes (and is not the firm appointed as the relevant Debtor's administrator or other relevant officer holder).

"Public Auction" means an auction or other competitive sale process of assets, by or on behalf of the Security Agent pursuant to an enforcement of any Collateral (or by a member of the Group in circumstances of a disposal of assets which from time to time are, or are expected to be, the subject of Collateral (the "Charged Property") and which is (i) being effected at the request of the Instructing Group in circumstances where the Collateral has become enforceable, (ii) being effected by enforcement, or simultaneous with the enforcement, of the Transaction Security (in each case, other than the exercise of any of (A) the blockage of any dividends or balances of the pledged accounts under Collateral documents or (B) the exercise of voting rights attached to shares of any class, loans, bonds or other equity or debt instruments (including preferred equity certificates and convertible preferred equity certificates) issued by an entity) which are pledged under the Collateral documents), or (iii) being effected, after the occurrence of an acceleration event or the enforcement of any Collateral, by a Debtor to a person or persons which is, or are, not a member, or members, of the Group) (a "Distressed Disposal") the process of such sale or disposal having been conducted as follows:

(a) prior to the sale or other disposal, the Security Agent shall, in respect of such auction or other competitive sale process, consult with an independent internationally recognized investment bank or independent internationally recognized accounting firm selected by the Security Agent (acting reasonably) with respect to the procedures which may reasonably be expected to be used to obtain a fair market price in the then prevailing market conditions (taking into account all relevant circumstances and with a view to facilitating a prompt and expeditious sale at a fair market price in the prevailing market conditions although there shall be no obligation to postpone any such sale in order to achieve a higher price);

(b) the Security Agent shall have implemented (to the extent permitted by law) in all material respects the procedures recommended by such bank or firm in relation to such auction or process; and

(c) any of the (i) Revolving Lenders, (ii) the Guarantee Lenders, (iii) each representative of the Revolving Lenders and the Guarantee Lenders (iv) the Hedge Counterparties, (v) Pari Passu Debt Creditors, (vi) creditors of Pari Passu Hedging Liabilities and (vii) the High Yield Creditors (the creditors set out under (i) to (vii) together, the "Primary Creditors") shall have had a right to participate.

For the purposes of paragraphs (a), (b) and (c) above:

(i) the Security Agent shall be entitled to retain any such independent internationally recognized investment bank or independent internationally recognized accounting firm as its and/or any of the other Primary Creditors' financial adviser to advise and assist in the proposed sale or disposition for such remuneration as the Security Agent in good faith determines is appropriate for the circumstances;

(ii) except as required by applicable law, the Security Agent shall not have any obligation to any person to engage in or to use reasonable efforts to engage in a listing of any or all of any equity interests the subject of such auction or other competitive sale process, including without limitation if recommended by such investment bank or accounting firm;

(iii) by reason of certain prohibitions, or exemptive or safe-harbor provisions from such prohibitions, contained in law or regulations of any applicable governmental authority, the Security Agent may, with respect to any sale of all or any part of such equity interests or assets;

  (A) limit purchasers to those who meet the requirements of such governmental authority or exemptive or safe-harbor provision (as applicable) and/or make representations and undertakings satisfactory to the Security Agent relating to compliance with such requirements and/or provisions; and/or

  (B) limit purchasers to persons who will agree, among other things to acquire such shares for their own account, for investment and not with a view to the distribution or resale thereof;

(iv) the Security Agent and other Primary Creditors shall not under any circumstances be required to make representations, warranties or undertakings to any actual or proposed purchaser (other than customary representations in a security enforcement as to power to transfer the relevant equity interests pursuant to the Collateral documents) or to indemnify any actual or proposed purchaser against any costs, liabilities or similar expenses or losses; and

(v) without limitation to the other circumstances of the sale or other disposition that the Security Agent and such investment bank or accounting firm may take into consideration, the Security Agent may (but is not required to) in all circumstances specify that no offer to purchase equity interest or other assets will be entertained unless such offer:

  (A) is for all (and not some only) of the equity interests being sold or otherwise disposed;

  (B) is for cash consideration payable at closing (and therefore not including, for the avoidance of doubt, any element of deferred compensation) and is not subject to any financing conditions; and/or

  (C) contemplates a closing of the sale of the equity interests or other assets in not more than three months (or such longer period as the Security Agent may specify) from the time of initiation of the sale or disposition process; and

(vi) a "right to participate" means:

(A) any offer, or indication of a potential offer, that a Primary Creditor makes shall be considered by the Security Agent or such investment bank or accounting firm against the same criteria as any offer, or indication of a potential offer, by any other bidder or potential bidder. For the avoidance of doubt, if after having applied that same criteria, the offer or indication of a potential offer made by a Primary Creditor is not considered by the Security Agent or such investment bank or accounting firm to be sufficient to continue in the sale or disposal process, such consideration being against the same criteria as any offer, or indication of a potential offer, by any other bidder or potential bidder (such continuation may include being invited to review additional information or being invited to have an opportunity to make a subsequent or revised offer, whether in another round of bidding or otherwise) then the right to participate of that Primary Creditor under the Intercreditor Agreement shall be deemed to be satisfied; and

(B) shall not apply if the Security Agent believes in good faith that it may (or there is a risk that it may) result in a violation of any applicable laws or that it may (or there is a risk that it may) result in a requirement for registration under any applicable securities laws.

For the purposes of paragraph (a) above, such investment bank or accounting firm may be instructed by the Security Agent to take the limitations set out in sub-paragraphs (i) to (vi) (inclusive) above into account and to formulate recommendations that are consistent with them.

Turnover Provisions

Turnover by the Creditors. Subject to certain exclusions, if any Creditor receives or recovers any payments or distributions of amounts (including by way of set-off) or proceeds from the enforcement of Collateral not in accordance with Intercreditor Agreement it must:

- in relation to amounts not received or recovered by way of set-off, promptly pay an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that receipt or recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Turnover of enforcement proceeds. If the Security Agent or the representative of a Primary Creditor is not entitled, for reasons of applicable law, to pay or distribute amounts received pursuant to the making of a demand under any guarantee, indemnity or other assurance against loss or the enforcement of the Collateral to the relevant Super Senior Creditors or, as the case may be, to the relevant Pari Passu Creditors, but is entitled to pay or distribute those amounts to Creditors (such Creditors, the "Receiving Creditors") who, in accordance with the terms of the Intercreditor Agreement, are subordinated in right and priority of payment to the relevant Super Senior Creditors or, as the case may be, the Pari Passu Creditors; and the secured debt of such Super Senior Creditors or, as the case may be, the Pari Passu Creditors under the Intercreditor Agreement has not been discharged (nor would occur after taking into account such payments), then the Receiving Creditors shall make such payments or distributions to the relevant Secured Creditors as the Security Agent shall require to place the relevant Secured Creditors in the position they would have been in had such amounts been available for application against the Secured Creditor Liabilities.

Turnover by note trustees. A Trustee shall only have an obligation to turn over or repay amounts received or recovered under the Intercreditor Agreement by it (i) if it had actual knowledge that the receipt or recovery is an amount received in breach of the Intercreditor Agreement (a "Turnover Receipt") and (ii) to the extent that, prior to receiving that knowledge, it has not distributed the amount of the Turnover Receipt to the Noteholders for which it is the creditor representative in accordance with the provisions of the relevant Indenture. For the purpose of the Intercreditor Agreement, (i) "actual knowledge" of the relevant Note Trustee shall be construed to mean the Note Trustee shall not be charged with knowledge (actual or otherwise) of the existence of facts that would impose an obligation on it to make any payment or prohibit it from making any payment unless a responsible officer of such Note Trustee has received, not less than two business days' prior to the date of such payment, a written notice that such payments are required or prohibited by the Intercreditor Agreement; and (ii) "responsible officer" when used in relation to a Note Trustee means any person who is an officer within the corporate trust and agency department of the relevant Note Trustee, including any director, associate director, vice president, assistance vice president, senior associate, assistant treasurer, trust officer, or any other officer of the relevant Note Trustee who customarily performs functions similar to those performed by such officers, or to whom any corporate trust matter is referred because of such individual's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of the Intercreditor Agreement.

Application of proceeds

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 Collateral, a Distressed Disposal or otherwise paid to the Security Agent in accordance with, among others, the Intercreditor Agreement, the Credit Facility Documents**,** the Pari Passu Debt Documents and the High Yield Documents for application as set forth below shall be held by the Security Agent on trust and applied in the following order:

- first, pro rata and pari passu, in payment of certain amounts owing to the Security Agent or any receiver and delegate of it (other than pursuant to any parallel debt) and any fees, costs and expenses incurred by each other creditor representative;

- second, in or towards payment of all costs and expenses incurred by any Primary Creditor in connection with any realization or enforcement of the Collateral taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent in accordance with the Intercreditor Agreement;
- third, in respect of recoveries resulting from the realization or enforcement of all or any part of the Collateral or a transaction in lieu thereof, in payment or distribution to the relevant creditor representatives in respect of the Credit Facility Creditors, the Super Senior Hedge Counterparties, in each case for application towards the discharge of the liabilities under (A) the Credit Facility Documents (in accordance with their terms) on a pro rata basis between such liabilities incurred under separate Credit Facility Documents; and (B) the Super Senior Hedging Liabilities on a pro rata basis between the Super Senior Hedging Liabilities of each Super Senior Hedge Counterparty on a pro rata basis between paragraph (A) and paragraph (B) above;
- fourth, in payment or distribution to the relevant creditor representatives in respect of the Credit Facility Creditors, the Super Senior Hedge Counterparties, each representative in respect of Pari Passu Debt Liabilities on its own behalf and on behalf of the relevant Pari Passu Debt creditors and the Pari Passu Hedge Counterparties, in each case for application towards the discharge of the liabilities under (A) the Credit Facility Documents (in accordance with their terms) on a pro rata basis between such liabilities incurred under separate Credit Facility Documents; (B) the documents pertaining to the Super Senior Hedging Liabilities on a pro rata basis between themselves; (C) the Pari Passu Debt Documents (in accordance with their terms) on a pro rata basis between such liabilities under separate Pari Passu Facility Agreement; (D) the Pari Passu Debt Documents (in accordance with their terms) on a pro rata basis between such under separate indentures; and (E) the Pari Passu Hedging Liabilities on a pro rata basis between the such liabilities of each Pari Passu Hedge Counterparty, on a pro rata basis between paragraph (A), paragraph (B), paragraph (C) paragraph (D) and paragraph (E) above;
- fifth, to the extent paid out of enforcement proceeds resulting from the enforcement of High Yield Debt Shared Security or the guarantees pertaining to the High Yield Liabilities in relation to assets which were previously High Yield Debt Shared Charged Property, in payment or distribution to each representative in respect of High Yield Liabilities on its own behalf and on behalf of the relevant High Yield creditors for application towards the discharge of the liabilities under (A) the High Yield Documents (in accordance with their terms) on a pro rata basis between such liabilities under separate High Yield Facility Agreements; and (B) the High Yield Documents (in accordance with their terms) on a pro rata basis between such liabilities under separate indentures, on a pro rata basis between paragraph (A) and paragraph (B) above;
- sixth, if none of the debtors under the Intercreditor Agreement is under any further actual or contingent liability under any Credit Facility Document, Hedging Agreement or Pari Passu Debt Document, in payment or distribution to any person to whom the Security Agent is obliged to pay or distribute in priority to any such debtor; and
- seventh, the balance, if any, in payment or distribution to the relevant Debtor.

Option to purchase

The Pari Passu Noteholders, the Pari Passu Creditors, the High Yield Noteholders and the High Yield Lenders may, following occurrence of a distress event, and in each case subject to various conditions set out in the Intercreditor Agreement (including the grant of an acceptable indemnity against clawback to the lenders under the Credit Facilities documents and the Super Senior Hedge Counterparties), exercise an option to purchase the liabilities under the Credit Facility Documents and the Super Senior Hedging Liabilities in full (but not in part only) and at par (in the case of Credit Facility Liabilities) or the close-out amount owing to them (in the case of Super Senior Hedging Liabilities).

The High Yield Noteholders and the High Yield Lenders will have (subject to various conditions set out in the Intercreditor Agreement) equivalent rights to purchase in relation to the liabilities under the Pari Passu Debt Documents and the Pari Passu Hedging Liabilities in full and at par.

Release of security and guarantees—non-distressed disposals

In circumstances where a disposal to a person or persons outside the Group is not a Distressed Disposal (and is not prohibited by the terms of the Credit Facility Documents, the Pari Passu Debt Documents and the High Yield Documents, the Intercreditor Agreement will provide that the Security Agent is authorized:

- to release the Collateral or any other claim over the relevant asset (and any related or associated asset which that member of the Group notifies to the Security Agent to be released from the Collateral to facilitate the relevant disposal); and
- if the relevant asset consists of shares in the capital of a member of the group, to release the Collateral or any other claim over the assets of that member of the group and the shares in and assets of any of its subsidiaries.

If any disposal proceeds are required to be applied in mandatory prepayment of the Credit Facility Liabilities, the Pari Passu Debt Liabilities or the High Yield Liabilities then those disposal proceeds shall be applied in accordance with the relevant Debt Documents and the consent of any other party shall not be required for that application.

Release of security and guarantees—Distressed Disposals

In circumstances where a Distressed Disposal is being effected, the Intercreditor Agreement will provide that the Security Agent is authorized, among other things:

- to release the Collateral or any other claim over the relevant asset;
- if the asset which is disposed of consists of shares in the capital of a Debtor, to release (a) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities and guaranteeing liabilities, in each case under the Debt Documents and certain other liabilities; (b) any Collateral granted over that Debtor's assets and the assets of any of its subsidiaries; and (c) any other claim of Topco, any Topco Affiliate, Parent, another Debtor or intra-group lender over that Debtor's assets or over the assets of any subsidiary of that Debtor;
- if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release (a) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities and guaranteeing liabilities under the Debt Documents and certain other liabilities; (b) any Collateral granted over the assets of that holding company and any subsidiary of that holding company; and (c) of Topco, any Topco Affiliate, Parent, another Debtor or intra-group lender over the assets of that holding company and any subsidiary of that holding company;
- if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to dispose of all or any part of that Debtor's or the holding company that Debtor's borrowing liabilities and guaranteeing liabilities under the Debt Documents (but in each case excluding liabilities due to any creditor representative or arranger) and the Debtors' intra-group receivables; and
- if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to transfer intra-group liabilities, intra-group receivables, parent liabilities or Topco liabilities owed by that Debtor or holding company of a Debtor to another Debtor.

Any net proceeds of the disposal must be applied in accordance with the enforcement proceeds waterfall described above under "—*Application of proceeds*". Where borrowing liabilities in respect of any Super Senior Liabilities or Pari Passu Liabilities would otherwise be released pursuant the Intercreditor Agreement, the Creditor concerned may elect to have those borrowing liabilities transferred to Topco or a Topco Affiliate, in which case the Security Agent is irrevocably authorized (at the cost of the relevant Debtor and without any consent, sanction, authority or further confirmation from any Creditor or Debtor) to execute such documents as are required to so transfer those borrowing liabilities

Refinancing and Increase of Primary Creditor Liabilities

Primary Creditor Liabilities Refinancing. The Primary Creditor liabilities may be refinanced, replaced or increased or otherwise restructured in whole or in part on terms that do not breach the terms of the Intercreditor Agreement, the Credit Facility Documents, any Pari Passu Debt Document or any High Yield Document without the consent of any other creditors under the Intercreditor Agreement so that:

- any obligations incurred by any Debtor or other member of the Group pursuant to such increase, refinancing or replacement of any Credit Facility Liabilities (the "Credit Facility Refinancing Liabilities"), any Pari Passu Debt Liabilities (the "Pari Passu Refinancing Liabilities") or any High Yield Liabilities (the "High Yield Refinancing Liabilities") (together, the "Secured Refinancing Liabilities") will, to the extent so designated by the Parent or Topco, (A) in the case of Credit Facility Refinancing Liabilities rank as Credit Facility Liabilities, (B) in the case of Pari Passu Debt Refinancing Liabilities rank as Pari Passu Debt Liabilities and (C) in the case of High Yield Refinancing Liabilities rank as High Yield Liabilities as provided for in the Intercreditor Agreement; and
- the Transaction Security Documents shall secure such Secured Refinancing Liabilities and in respect of such Transaction Security Documents and any new security granted by any member of the Group to secure such Secured Refinancing Liabilities, such Secured Refinancing Liabilities will, (A) in the case of Credit Facility Refinancing Liabilities rank as Credit Facility Liabilities, (B) in the case of Pari Passu Debt Refinancing Liabilities rank as Pari Passu Debt Liabilities and (C) in the case of High Yield Refinancing Liabilities rank as High Yield Liabilities, (A) in the case of Credit Facility Refinancing Liabilities rank as Credit Facility Liabilities, (B) in the case of Pari Passu Debt Refinancing Liabilities rank as Pari Passu Debt Liabilities and (C) in the case of High Yield Refinancing Liabilities rank as High Yield Liabilities as provided for in the Intercreditor Agreement; and
- the Intercreditor Agreement shall be construed to permit the assumption of any Secured Refinancing Liabilities and to give effect to the ranking set out in the two preceding paragraphs, provided that: (A) any trustee or representative of the creditors of such Secured Refinancing Liabilities (a "Refinancing Representative"), accedes to the Intercreditor Agreement in accordance with its terms on the same terms as the applicable creditor representative; and (B) each creditor in relation to such Secured Refinancing Liabilities (that is not a Refinancing Representative) accedes to the Intercreditor Agreement in accordance with its terms or is deemed to accede to the Intercreditor Agreement pursuant to the terms of its relevant finance documents, in each case on the same terms as the applicable secured creditor.

Further assurance. The Security Agent and each Note Trustee is authorized by the Intercreditor Agreement to enter into such documentation with the relevant Debtors as may be necessary to ensure that any obligations and liabilities incurred by the Debtors in respect of such New Money and Refinancing Liabilities will have the ranking and the benefit of the Collateral (and that the creditors under such New Money and Refinancing Liabilities will have the rights and obligations) permitted to be conferred upon it in accordance with the Debt Documents (including, without limitation, the entry into a new intercreditor agreement).

Release of Security. Where the terms of a refinancing, restructuring, replacement, or increase in the above context requires the amendment, confirmation or release of any security by the Security Agent, the Security Agent shall confirm, amend or release such security which has been granted to it provided that such amendment, confirmation or release occurs on the date of such refinancing, restructuring, replacement or increase and in respect of any such release, such security released is immediately retaken and there is no reasonable alternative for achieving the same result without triggering security hardening periods.

Issue of Senior Secured Notes

With the exception of the initial Senior Secured Notes Indenture and any Senior Secured Notes issued thereunder or as otherwise approved in writing by the Majority Super Senior Creditors (or as required by a Credit Facility the "majority lenders"), no member of the Group shall enter into the Senior Secured Notes Indenture or issue any Senior Secured Notes unless:

- each Credit Facility Agent has received copies of the Senior Secured Note Documents as soon as practicable after the relevant Senior Secured Notes are issued;
- the net proceeds of the issue of the Senior Secured Notes are applied in accordance with the requirements (if any) of the Credit Facility Documents and any other Pari Passu Debt Documents then in existence,

provided that nothing in the foregoing shall prohibit an issue of Senior Secured Notes into an escrow arrangement provided the gross proceeds of such issue are either returned to the holders of the Senior Secured Notes or applied in accordance with this paragraph following release of such gross proceeds from such escrow arrangement;

- the Senior Secured Notes are issued by the Parent;
- the guarantees for the Senior Secured Notes comply with the provisions of the Intercreditor Agreement; and
- to the extent not already a party, the note trustee and each of the guarantors for the Senior Secured Notes execute the Intercreditor Agreement or accede thereto before or concurrently with the issuance of the Senior Secured Notes.

Issue of High Yield Notes

With the exception of the initial High Yield Notes Indenture and any High Yield Notes issued thereunder or as otherwise approved in writing by Majority Super Senior Creditors and the Majority Pari Passu Creditors, no member of the Group shall enter into any High Yield Notes Indenture or issue any High Yield Notes unless:

- the Credit Facility Agent and each representative of Pari Passu Debt Creditors has received copies of the High Yield Documents relating to such High Yield Notes as soon as practicable after the relevant High Yield Notes are issued;
- to the extent that any High Yield Facility Agreement was entered into for the purposes of providing a bridge to the issue of such High Yield Notes, the net proceeds of such issue of the High Yield Notes are applied in full and final Payment of amounts outstanding under such High Yield Facility Agreement; and following the discharge of all amounts under such High Yield Facility Agreement: (A) in or towards the purposes for which the facility under such High Yield Facility Agreement was made available; or (B) in accordance with the requirements of the Credit Facility Documents and the Pari Passu Debt Documents then in existence,

provided that nothing in the foregoing shall prohibit an issue of High Yield Notes into an escrow arrangement provided the gross proceeds of such issue are either returned to the holders of such High Yield Notes or applied in accordance with sub-paragraphs ((A) and (B) above following release of such gross proceeds from such escrow arrangement;

- the High Yield Notes are issued by Topco or any Topco Affiliate (which in each case is a party to the Intercreditor Agreement);
- the guarantees granted in relation to such High Yield Notes comply with the provisions of the Intercreditor Agreement; and
- the accession provisions of the Intercreditor Agreement are complied with.

Consents, Amendments and Override

Required consents. Subject to agreed exceptions as to consent requirements of other parties or majority requirements, the Intercreditor Agreement may be amended or waived with the consent of the Security Agent, and all relevant primary creditors (or, as applicable their representatives) under the provided that to the extent an amendment, waiver or consent could not reasonably be expected to adversely affect the interests of any other class of secured parties, only written agreement from any affected class shall be required.

The Intercreditor Agreement may be amended by the Security Agent with the Parent without the consent of any other party to cure defects and manifest errors, resolve ambiguities or to reflect changes in each case of a minor, technical or administrative nature.

Agreement to override. Unless expressly stated otherwise in the Intercreditor Agreement, in the case of any conflict between the Intercreditor Agreement and any other Debt Document, the Intercreditor Agreement shall prevail.

Definitions

In this description:

"Collateral" means the collateral expressed to be granted in favor of the Security Agent and the secured parties, which will include the Senior Secured Notes Collateral as of the Issue Date.

"Credit Facility Agent" means any agent under the Credit Facility Agreements.

"Credit Facility Documents" means each document defined as a "Finance Document" in the Credit Facility Agreements.

"Creditors" means the Primary Creditors, the lenders to which Intra-Group Liabilities are owed, Topco and the Parent.

"Debt Document" means each of the Intercreditor Agreement, the Hedging Agreements, the Credit Facility Documents, the Pari Passu Debt Documents, the High Yield Documents, the documents evidencing or creating Collateral, any agreement evidencing the terms of the Topco Liabilities, any agreement evidencing the terms of the Parent Liabilities or the Intra-Group Liabilities and any other document designated as such by the Security Agent and the Parent.

"Group" means the Parent and each of its subsidiaries.

"High Yield Documents" means each document or instrument entered into between any member of the Group, Topco or (as the case may be) any Topco Affiliate and a High Yield Creditor setting out the terms of any High Yield Facility or High Yield Notes and which creates or evidences any High Yield Liabilities.

"High Yield Facility" means any credit facility made available to Topco or any Topco Affiliate where any (i) agent of the lenders in respect of the credit facility becomes a party as a creditor representative, (ii) arranger of the credit facility has become a party as an arranger or lender of a High Yield Facility Agreement, including, without limitation, any facilities for the refinancing (or any successive refinancing thereafter) of amounts or commitments outstanding under any initial High Yield Facility Agreement.

"High Yield Facility Agreement" means any facility agreement setting out the terms of any High Yield Facility and which creates or evidences any High Yield Liabilities, including, without limitation, any facilities agreement or agreements under which facilities are made available for the refinancing (or any successive refinancing thereafter) of amounts or commitments outstanding under any initial High Yield Facility Agreement.

"High Yield Lender" means each "Lender" under and as defined in any High Yield Facility Agreement.

"High Yield Notes" means any high yield notes, payment-in-kind notes, exchange notes, debt securities or other debt instruments, issued or to be issued by Topco or any Topco Affiliate under a High Yield Notes Indenture including, without limitation, any high yield notes, payment-in-kind notes, exchange notes, debt securities or other debt instruments, issued or to be issued in the context of this offering or a refinancing (or any successive refinancing thereafter) of amounts or commitments outstanding under any High Yield Document

"High Yield Notes Indenture" means any note indenture setting out the terms of any High Yield Notes and which creates or evidences any High Yield Liabilities.

"Noteholder" means, as the context requires, a Pari Passu Noteholder and/or a holder of any Notes.

"Pari Passu Creditors" means the creditor of Pari Passu Debt Liabilities ("Pari Passu Debt Creditors") and the Pari Passu Hedge Counterparties.

"Pari Passu Debt Creditors" means:

(i) the Senior Secured Note Trustee and each creditor of Senior Secured Notes; and

(ii) each other creditor representative in relation to any Pari Passu Debt Liabilities, each pari passu arranger, each other Pari Passu Noteholder and each other pari passu lender.

"Pari Passu Debt Documents" means:

(i) the Senior Secured Notes, the Senior Secured Notes Indenture, the guarantees securing the Senior Secured Notes, the relevant related Collateral and any other document entered into in connection with the Senior Secured Notes (each a "Senior Secured Notes Document"); and

(ii) each other document or instrument entered into between any member of the Group and a Pari Passu Debt Creditor setting out the terms of any pari passu facility or Pari Passu Notes and which creates or evidences any Pari Passu Debt Liabilities and including, for the avoidance of doubt, any exchange notes issued pursuant to a pari passu notes indenture.

"Pari Passu Facility" means any credit facility made available to the Parent or a subsidiary of the Parent which is a guarantor of the Senior Secured Notes where any:

(A) agent of the lenders in respect of the credit facility becomes a Party as a creditor representative;

(B) arranger of the credit facility has become a party as a pari passu arranger; and

(C) lender in respect of the credit facility has become a party as a pari passu lender,

in respect of that credit facility, including, without limitation, any facilities for the refinancing (or any successive refinancing thereafter) of amounts or commitments outstanding thereunder.

"Pari Passu Facility Agreement" means any facility agreement setting out the terms of any Pari Passu Facility which creates or evidences any Pari Passu Debt Liabilities, including, without limitation, any facilities agreement or agreements under which facilities are made available for the refinancing (or any successive refinancing thereafter) of amounts or commitments outstanding thereunder.

"Pari Passu Hedge Counterparty" means each Hedge Counterparty to the extent it is owed Pari Passu Hedging Liabilities.

"Pari Passu Noteholder" means a noteholder of Senior Secured Notes and any other registered holders, from time to time, of any Pari Passu Notes, as determined in accordance with the relevant indenture.

"Pari Passu Notes" means:

(i) the Senior Secured Notes; and

(ii) any other senior secured notes issued or to be issued under a pari passu notes indenture by the Parent or a subsidiary of the Parent which is a guarantor of the Senior Secured Notes including, without limitation, senior secured notes issued or to be issued in the context of any refinancing (or any successive refinancing thereafter) of amounts or commitments outstanding under any Pari Passu Debt Document.

"Pari Passu Liabilities" means the Pari Passu Debt Liabilities and the Pari Passu Hedging Liabilities.

"Secured Creditors" means the Super Senior Creditors and the Pari Passu Creditors.

"Secured Creditor Liabilities" means the Super Senior Liabilities and the Pari Passu Liabilities.

"Senior Secured Notes Indenture" means the means the indenture or indentures entered into between the Parent and a Senior Secured Note Trustee pursuant to which any senior secured notes are issued.

"Senior Secured Notes" means any senior secured notes issued or to be issued by the Parent pursuant to the terms of the any Senior Secured Notes Indenture and any additional notes issued from time to time under the a Senior Secured Notes Indenture.

"Super Senior Creditors" means the creditors of Credit Facilities Liabilities ("Credit Facility Creditors") and the Super Senior Hedge Counterparties.

"Super Senior Hedge Counterparties" means Hedge Counterparties to the extent they are owed Super Senior Hedging Liabilities.

"Super Senior Liabilities" means the Credit Facility Liabilities and the Super Senior Hedging Liabilities.

"Topco Affiliate" means any affiliate of Topco, other than a member of the Group.

Financing of the HX Group

External Financing of the HX Group

We have received a few loans from third parties (other than GEA AG or GEA Group companies). The existing loans comprise some local cash credit facilities, which are used for the day-to-day operation of certain HX Group companies. In some cases, such local credit facilities are established due to regulatory requirements to cooperate with local banks (*e.g.*, in China). Typically, such local credit facilities do not exceed an aggregate total amount of €10 million for the respective HX Group company; in many cases, the total amount is significantly lower.

Loans from third parties have been either obtained directly by the respective HX Group company from local banks or passed on to such HX Group company by GEA AG under umbrella cash credit facilities (*Rahmenbarlinien*) of GEA AG with certain banks.

Typically, HX Group companies do not grant security (*e.g.*, pledges, transfers by way of security, guarantees etc.) to the GEA Group or any third party for any external financing liabilities of GEA Group companies.

These arrangements between HX Group companies and local banks (which are not guaranteed by GEA AG) are expected to remain in place after completion of the Acquisition.

Loan Arrangements of the HX Group with the GEA Group

We have sourced most of our liquidity from a cash loan and a cash loan facility granted by GEA AG to the HX Group. A loan with a maximum amount of €80 million was granted by GEA AG to HX Holding based on a credit facility agreement dated December 20, 2013, as amended by an amendment agreement dated January 27, 2014. This loan was granted to meet our financing needs after we were cut off from the cash pools of the GEA Group due to the carve-out (see "—*Cash Pool*" below) and is to be disbursed in several installments of €5 million. As of March 31, 2014, a total amount of €75 million has been disbursed by GEA AG to HX Holding under this loan agreement. The credit facility agreement may be terminated by any party by giving five bank business days' prior written notice to the other party. Furthermore, the agreement may be terminated with immediate effect for cause (in particular, in case GEA AG has lost direct or indirect control over HX Holding or has agreed to a transaction resulting in such a loss of control).

Several other GEA Group companies have also extended loans to certain HX Group companies, and some HX Group companies have extended loans to GEA Group companies.

Since January 1, 2014, based on a group-wide policy within the HX Group, new loans by GEA Group companies to HX Group companies have been limited to the necessary minimum to source the liquidity needs of the HX Group.

Upon completion of the Acquisition, any receivables of the GEA Group against the HX Group relating to the above-mentioned loans will be transferred to Blitz. The remaining payables under the loans shall be paid to GEA AG upon completion of the Acquisition by HX.

Loan Arrangements within the HX Group

HX Group companies do not typically grant loans to each other to source liquidity needs within the HX Group. Loans within the HX group usually exist only to a limited extent between lead entities and their subsidiaries as well as between entities located in the same countries (*e.g.*, in South Africa and China). The few existing loans extended by HX Group companies to other HX Group companies are of minor importance for the financing within the HX Group.

Cash Pool

Prior Participation in Cash Pools of the GEA Group

As of March 31, 2014, our liabilities to the GEA Group consisting of cash pool liabilities (until December 31, 2013) and internal loans granted to us amounted to €94.1 million (December 31, 2013: €288.3 million; 2012: €555.8 million; 2011: €514.6 million). Cash pool receivables and internal loans granted by the HX Group to GEA Group as of March 31, 2014 amounted to €13.0 million (December 31, 2013: €227.5 million; 2012: €340.4 million; 2011 €265.4 million).

As of January 1, 2014, our Group companies ceased to participate in cash pools of the GEA Group. The participation of our Group companies was in each case terminated by way of letter agreements with the external bank by which the relevant GEA Group cash pool was operated. On the date as of which our Group companies ceased to participate in cash pools of the GEA Group, balances were outstanding from the cash pools between several GEA Group companies, on one side, and several HX Group companies on the other side. Most of the outstanding balances exist between GEA AG and HX Group companies from the cash pools operated by GEA AG from which HX Group companies have been cut off as of January 1, 2014. Furthermore, several other GEA Group companies have outstanding receivables and outstanding payables vis-à-vis GEA Group companies from cash pools. In particular, GEA North America Inc. in the United States and GEA Process Engineering China Ltd. in China, both GEA Group companies, have outstanding receivables against HX Group Companies in the relevant countries.

The GEA Group and the HX Group currently envisage transferring outstanding receivables of GEA Group companies against our Group companies to GEA AG and outstanding payables of GEA Group companies to HX Group companies to HX Holding, in order to channel all receivables and payables in between GEA AG and HX Holding. Subsequently, it is planned to set-off the outstanding balances between GEA AG and HX Holding. However, depending, among other factors, on local regulatory requirements, certain receivables and payables will remain with the original debtors and creditors and will not be transferred to GEA AG and HX Holding, respectively. Upon completion of the Acquisition, any remaining receivables of the GEA Group against the HX Group under the cash pool shall be transferred to Blitz. The remaining payables under the cash pool shall be paid to GEA AG upon completion of the Acquisition by HX.

Cash Pools within the HX Group

As of March 31, 2014, ten new cash pools within our Group have been established, eight central cash pools with HX Holding as cash pool leader and two other local cash pools with HX Group companies in the United States and China as cash pool leaders.

As of March 31, 2014, a total of eight cash pools with six different banks and HX Holding as cash pool leader have been set up to manage the liquidity among HX Group companies in Europe. With two of the six banks, two cash pools (in different currencies) exist. The cash pools are based on separate management agreements between HX Holding and each participating HX

Group company, which are in the process of being executed as of the date of this offering memorandum. Each of the cash management agreements will provide for identical terms and will be concluded with effect as of January 1, 2014. The agreements will be valid until further notice with typically two weeks' notice period for both parties.

To implement the cash pools with each of the participating HX Group companies, HX Holding as cash pool leader has mandated a total of six different banks with the bank-related operation of the cash pools based on cash pool service agreements, effective as of January 1, 2014: Commerzbank, Danske Bank (GBP and Euro cash pools), Deutsche Bank (USD and Euro cash pools), Royal Bank of Scotland, HypoVereinsbank and Crédit Lyonnais (LCL). HX Holding maintains master accounts with each of the aforementioned banks. The balancing of liquidity is effected in such a way that on each banking day any credit balances on the source accounts of participating HX Group companies are automatically transferred to the master accounts and any debit balances on the source accounts will be balanced by respective debits on the master accounts ("zero balancing").

In addition, the cash pool in the United States has been set up as of January 1, 2014 within GEA Heat Exchangers, Inc., Lakewood, Colorado, with different accounts for the different branches of this company. The cash pool in China has been in existence prior to January 1, 2014 with GEA Heat Exchanger Systems (China) Ltd., Wuhu, as cash pool leader. With effect as of January 1, 2014 the GEA Group discontinued being part of the HX Group cash pool in China.

Guarantees

GEA AG and certain financial institutions have issued guarantees, binding letters of comfort and similar instruments for the benefit of third parties for liabilities relating to HX Group companies. With respect to the bank guarantees, Blitz has committed to undertake best efforts to replace the existing bank guarantees with a new bank guarantee line taken out by Blitz. To the extent this is not completed upon the closing of the Acquisition, Blitz shall provide security to the relevant banks and to GEA AG to cover the risk that amounts are drawn under such lines with back-to-back bank guarantees. With respect to corporate guarantees already issued by GEA AG for the benefit of third-parties (*e.g.*, our customers) to cover our potential liabilities vis-à-vis such third parties, these shall remain in place and Blitz has undertaken in the context of the Acquisition to indemnify GEA AG for any amounts that may be paid by GEA AG under such guarantees with back-to-back bank guarantees. As of March 31, 2014, the aggregate value of these instruments issued by GEA AG and certain financial institutions has been calculated at €371.0 million (€363.7 million as of December 31, 2013). Thereof, guarantees with a nominal maximum liability amount of €237.6 million as of March 31, 2014 (€232.4 million as of December 31, 2013) were issued by banks and guarantees with a nominal maximum liability amount of €133.4 million as of March 31, 2014 (€131.2 million as of December 31, 2013) were issued by GEA AG. See "*Certain Relationships and Related Party Transactions—Financial Management, Loans and Guarantees.*"

All of the aforementioned amounts exclude guarantees relating to project Medupi (see "*Business—Material Contracts—Contractual Relationships within the Project Business—Recent Material Projects and Project Medupi—Medupi*" for further details on project Medupi). In relation to project Medupi, an additional corporate performance guarantee and a bank guarantee have been granted to our customer. As of March 31, 2014, the total guarantee issued by GEA AG regarding project Medupi amounted to €301.7 million (unchanged in ZAR to December 31, 2013).

To avoid double-counting, the aforementioned amount of corporate guarantees excludes the following types of guarantees issued by GEA AG and the following liability of GEA AG for obligations of HX Group companies (nothing to include): (i) guarantees issued by GEA AG to secure local bilateral credit facilities of HX Group companies with banks; (ii) guarantees issued by GEA AG to banks due to requirements under local law as additional security for bank guarantees issued to HX Group companies under umbrella guarantee credit lines (*Rahmenavallinien*) of GEA AG with such banks; and (iii) any exposure of GEA AG from joint and several liability (*gesamtschuldnerische Haftung*) of GEA AG for bank guarantees issued to HX Group companies under umbrella guarantee credit lines of GEA AG with banks. The total exposure due to such joint and several liability corresponds to the total amount of bank guarantees issued under umbrella guarantee credit lines of GEA AG which provide for a joint and several liability of GEA AG.

Moreover, the aforementioned amount of corporate guarantees excludes liabilities by GEA AG in relation to the separation of HX from GEA AG with respect to the HX cash pool, derivative financial instruments, overdraft lines and factoring (€95.6 million as of March 31, 2014).

Since the beginning of 2011, there have not been any drawings under corporate guarantees and only a few drawings of minor relevance occurred under bank guarantees.

Until January 1, 2014, corporate guarantees for the benefit of third parties for liabilities of HX Group companies were granted by GEA AG. Since such date, GEA AG continues to grant such corporate guarantees. GEA AG is the only GEA Group company (outside the HX Group) which has granted corporate guarantees to third party beneficiaries for liabilities of HX Group companies.

HX Holding is in discussions about issuing new guarantees for the benefit of third parties for liabilities of HX Group companies to reduce the number of new guarantees which are still issued by GEA AG. However, HX Holding has not yet issued any such new guarantees.

Guarantees issued for liabilities of HX Group Companies comprise, among others, the following material types of guarantees:

- Performance guarantees: These guarantees are issued to ensure that a certain service or work to be performed by HX Group companies is completed or certain goods are delivered in line with the terms of the contract. If the contractor fails to comply with his contractual duties, the beneficiary of the guarantee is entitled to draw the guarantee.
- Prepayment guarantees: These guarantees are issued to ensure that in situations in which the principal makes advance payments, the principal's financial interests are secured. The prepayment guarantee covers cases in which the contractor may not be able to comply with his contractual duties and also refuses to repay the principal's advance payment.
- Warranty guarantees: These guarantees are issued for situations in which the primary contractual obligations under an agreement have been fulfilled, *i.e.*, certain goods have been delivered or project work has been completed. If the performance under the agreement deviates from the contractually agreed terms or it becomes apparent that defects exist which trigger a customer's warranty claim, the warranty guarantee may be drawn by the principals.
- Rental guarantees: Certain guarantees cover claims against HX Group companies under existing lease agreements.
- Binding letters of comfort: These binding letters of comfort have been granted by GEA AG and typically set out that GEA AG will provide sufficient resources (predominantly financial in nature) to the relevant HX Group company to perform all contractual duties of such company. In some cases, binding letters of comfort relate to specific agreements or projects.
- Other guarantees: In addition to the aforementioned guarantees, guarantees have been issued for certain other matters or minor relevance, *e.g.*, bidder guarantees, guarantees for specific claims of HX Group companies such as process guarantees, *i.e.*, guarantees issued to third parties such as courts regarding costs of certain legal disputes. Furthermore, certain guarantees are issued for customs duties to governments and liabilities to local chambers of commerce.

Senior Notes Proceeds Loan

General

In connection with this offering, the proceeds of the offering of the Senior Notes will be on-lent by the Senior Notes Issuer to the Senior Secured Notes Issuer by way of an inter-company loan. The terms of the Senior Notes Proceeds Loan will, to the extent applicable, comply with the terms of the Senior Notes in order to enable the Senior Notes Issuer to comply with its obligations under the Senior Notes.

Features

The Senior Notes Proceeds Loan will have the following features:

(1) maturity of eight years;

(2) repayable at maturity or earlier;

(3) interest will be payable in cash semi-annually;

(4) contains no change of control or similar provisions;

(5) contains no covenants, no default or event of default provisions;

(6) the rights and obligations of the parties will be subject to the terms of the Indentures.

Governing Law

The terms of the Senior Notes Proceeds Loan will be governed by and construed in accordance with Luxembourg law.

Senior Secured Notes Proceeds Loans

General

In connection with this offering, the proceeds of the offering of the Senior Secured Notes will be on-lent by the Senior Secured Notes Issuer to Galapagos BidCo by way of inter-company loans. The terms of the Senior Secured Notes Proceeds Loans will, to the extent applicable, comply with the terms of the Senior Secured Fixed Rate Notes and the Senior Secured Floating Rate Notes, as the case may be, in order to enable the Senior Secured Notes Issuer to comply with its obligations under the Senior Secured Notes.

Features

The Senior Secured Notes Proceeds Loans will have the following features:

(1) maturity of seven years;

(2) repayable at maturity or earlier;

(3) interest will be payable in cash semi-annually, in the case of the proceeds loan in respect of the Senior Secured Fixed Rate Notes, and quarterly, in the case of the proceeds loan in respect of the Senior Secured Floating Rate Notes;

(4) contains no change of control or similar provisions;

(5) contains no covenants, no default or event of default provisions;

(6) the rights and obligations of the parties will be subject to the terms of the Senior Secured Notes Indenture.

Governing Law

The terms of the Senior Notes Proceeds Loan will be governed by and construed in accordance with Luxembourg law.

Preferred Equity Certificates

In connection with this offering, Triton will make certain shareholder funds through the issuance of preferred equity certificate ("PECs") by the Senior Notes Issuer, which will in turn make such funds available to the Senior Secured Notes Issuer through the issuance of PECs by the Senior Secured Notes Issuer. These PECs are unsecured and will constitute subordinated shareholder funding under the applicable Indentures for the Notes.

Features

The PECs issued by each of the Issuers will have the following features:

- the PECs will rank junior to all present and future obligations of the issuer, whether secured or unsecured;
- the yield due under the PECs will be due and payable only and to the extent that the issuer will have sufficient funds available to settle its liabilities to all other ordinary or subordinated creditors (whether privileged, secured or unsecured) prior in ranking to the PECs;
- the PECs are only redeemable at the maturity date and before the maturity date, no holder has any right to ask for acceleration or redemption of the PECs; and
- any transfer of PECs is subject to the consent of the issuer

The shareholder loans' terms and conditions include the above features of the PECs.

Governing Law

The terms of the PECs and corresponding shareholder loans will be governed by and construed in accordance with Luxembourg law.

DESCRIPTION OF THE SENIOR SECURED NOTES

Galapagos S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 26-28, rue Edward Steichen, L-2540 Luxembourg and being registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés Luxembourg*) under number B 186 314 (for purposes of this "*Description of the Senior Secured Notes*", the "**Issuer**"), will issue €325.0 million aggregate principal amount of euro-denominated senior secured floating rate notes (the "**Floating Rate Notes**") and €200.0 million aggregate principal amount of euro-denominated senior secured fixed rate notes (the "**Fixed Rate Notes**" and, together with the Floating Rate Notes, the "**Senior Secured Notes**") under an indenture dated as of the Issue Date (the "**Senior Secured Notes Indenture**") among, *inter alios*, the Issuer, Deutsche Trustee Company Limited, as trustee (the "**Trustee**"), and UniCredit Bank AG, London Branch, as security agent (the "**Security Agent**"), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act.

Unless the context requires otherwise, references in this "*Description of the Senior Secured Notes*" to the Senior Secured Notes include any Additional Senior Secured Notes that are issued, and references to the Floating Rate Notes and the Fixed Rate Notes include any Additional Senior Secured Notes that are Floating Rate Notes or Fixed Rate Notes, respectively. The terms of the Senior Secured Notes include those set forth in the Senior Secured Notes Indenture. The Senior Secured Notes Indenture will not incorporate or include any of, or be subject to, the provisions of the U.S. Trust Indenture Act of 1939, as amended.

The following description is only a summary of the material provisions of the Senior Secured Notes Indenture, the Senior Secured Notes, the Notes Guarantees, the Senior Secured Notes Escrow Agreement and the Security Documents and refers to the Intercreditor Agreement. It does not restate those agreements in their entirety. We urge you to read the Senior Secured Notes Indenture, the Senior Secured Notes Escrow Agreement, the Security Documents and the Intercreditor Agreement because they, and not this description, will define your rights as holders of the Senior Secured Notes. Copies of the Senior Secured Notes Indenture, the forms of Senior Secured Notes, the Security Documents and the Intercreditor Agreement are available as set forth below under "*—Additional information*".

The proceeds from the Senior Secured Notes sold on the Issue Date will be used by the Issuer, together with the proceeds from the Senior Notes sold by Galapagos Holding S.A. (formerly known as Galapagos CleanCo S.à r.l.), a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg (the "**Senior Notes Issuer**"), the Equity Contribution and the Completion Date Distribution, to fund the consideration to be paid in the Acquisition, to repay certain existing indebtedness of the HX Group and to pay fees and expenses incurred in connection with the Transactions as set forth in this offering memorandum under the caption "*Use of Proceeds*". Pending consummation of the Acquisition and the satisfaction of certain other conditions as described below, the initial purchasers will, concurrently with the closing of the offering of the Senior Notes on the Issue Date, deposit the gross proceeds of the offering of the Senior Secured Notes less certain deductions with respect to fees into escrow accounts (the "**Senior Secured Notes Escrow Accounts**") pursuant to the terms of an escrow deed (the "**Senior Secured Notes Escrow Agreement**") dated as of the Issue Date among, *inter alios*, the Issuer, the Trustee and Deutsche Bank AG, London Branch, as escrow agent (the "**Escrow Agent**"). If the Acquisition is not consummated or the other conditions to the release of the Senior Secured Notes Escrowed Property have not been satisfied on or prior to March 31, 2015 (the "**Escrow Longstop Date**"), the Senior Secured Notes will be redeemed at a price equal to 100% of the aggregate initial issue price of the Senior Secured Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to (but not including) the Special Mandatory Redemption Date. See "*—Escrow of Proceeds; Special Mandatory Redemption*".

Upon the initial issuance of the Senior Secured Notes, the Senior Secured Notes will be obligations of the Issuer and will be guaranteed on a senior secured basis by Galapagos BidCo S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg ("**Galapagos BidCo**"), and Blitz F14-206 GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany ("**Blitz**" and, together with Galapagos BidCo, the "**Issue Date Guarantors**"), and will not be guaranteed by HX Holding GmbH, GEA Air Treatment GmbH and GEA Küba GmbH (collectively, the "**Targets**") or any of their Subsidiaries (collectively, the "**HX Group**"). Assuming the date of completion of the Acquisition (the "**Completion Date**") occurs on or prior to the Escrow Longstop Date and the escrowed funds are released from the Senior Secured Notes Escrow Accounts, the Targets and certain of their Subsidiaries will become party to the Senior Secured Notes Indenture and will guarantee the Senior Secured Notes on a senior secured basis within 90 days (or 45 days in the case of entities incorporated in Germany) after the Completion Date. Following the Completion Date, the Senior Secured Notes will be secured by the Collateral, as described below under "*—Security*". Prior to the Completion Date, we will not control the HX Group, and the HX Group will not be subject to the covenants described in this "*Description of the Senior Secured Notes*". Accordingly, we cannot assure you that prior to the Completion Date, the HX Group will not engage in activities that would otherwise have been prohibited by the Senior Secured Notes Indenture had those covenants been applicable to such entities after the Issue Date and prior to the Completion Date.

You can find the definitions of certain terms used in this description under the subheading "*—Certain definitions*". Certain defined terms used in this description but not defined below under "*—Certain definitions*" have the meanings assigned to them in the Senior Secured Notes Indenture. In this "*Description of the Senior Secured Notes*", the term "**Issuer**" refers only to Galapagos S.A. and not to any of its Subsidiaries; the term "**Senior Notes Issuer**" refers only to Galapagos Holding S.A. and not to any of its Subsidiaries; and the terms "we", "our" and "us" refer to the Senior Notes Issuer and, where the context so requires, certain or all of its Subsidiaries.

The registered holder of a Senior Secured Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Senior Secured Notes Indenture.

Brief description of the Senior Secured Notes and the Notes Guarantees

The Senior Secured Notes

The Senior Secured Notes will:

- be general senior obligations of the Issuer;
- be secured as set forth under "—*Security*";
- rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Senior Secured Notes, including Indebtedness incurred under the Revolving Credit Facility Agreement and obligations under the Guarantee Facility Agreement;
- rank senior in right of payment to all existing and future Indebtedness of the Issuer that is subordinated in right of payment to the Senior Secured Notes, including the Issuer's Guarantee of the Senior Notes;
- be fully and unconditionally guaranteed by the Issue Date Guarantors and, within 90 days (or 45 days in the case of entities incorporated in Germany) after the Completion Date, by the HX Guarantors;
- be structurally subordinated to all existing and future Indebtedness of the Subsidiaries of the Issuer that are not Guarantors, including obligations to trade creditors; and
- be effectively subordinated to any existing and future Indebtedness of the Issuer that is secured by Liens senior to the Liens securing the Senior Secured Notes, or secured by property or assets that do not secure the Senior Secured Notes, to the extent of the value of property and assets securing such Indebtedness.

The Notes Guarantees

The Senior Secured Notes will be fully and unconditionally guaranteed by the Issue Date Guarantors on the Issue Date and by the HX Guarantors within 90 days (or 45 days in the case of entities incorporated in Germany) after the Completion Date as set forth below under "—*Notes Guarantees*", in each case subject to the guarantee limitations contained in the Senior Secured Notes Indenture. In addition, if required by the covenant described under "—*Certain covenants—Additional Guarantees*", certain other Restricted Subsidiaries may provide a Notes Guarantee in the future.

The Notes Guarantee of each Guarantor will:

- be a general senior obligation of such Guarantor;
- be secured as set forth under "—*Security*";
- rank *pari passu* in right of payment with all existing and future Indebtedness of such Guarantor that is not subordinated in right of payment to such Notes Guarantee, including Indebtedness incurred under the Revolving Credit Facility Agreement and the Guarantee Facility Agreement;
- rank senior in right of payment to all existing and future Indebtedness of such Guarantor that is subordinated in right of payment to such Notes Guarantee, including such Guarantor's Guarantee of the Senior Notes; and
- be effectively subordinated to any existing and future Indebtedness of such Guarantor that is secured by Liens senior to the Liens securing such Notes Guarantee or secured by property or assets that do not secure such Notes Guarantee, to the extent of the value of the property and assets securing such Indebtedness;
- be effectively senior to all of such Guarantor's existing and future unsecured Indebtedness to the extent of the assets securing such Notes Guarantee.

Certain of the Notes Guarantees will be limited in value. These limitations are generally related to local corporate or other law. See "*Risk Factors—Risks Related to the Notes—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*".

Not all of the Issuer's Subsidiaries will guarantee the Senior Secured Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-Guarantor Subsidiaries, the non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Issuer or a Guarantor. As of and for the year ended December 31, 2013, the revenue, EBITDA and total assets of the HX Guarantors represented 61.2%, 64.8% and 67.4% of the revenue, EBITDA and total assets of the HX Group, respectively. These revenue and total assets figures have been calculated before intercompany eliminations.

Following the Completion Date, the operations of the Issuer will be conducted through its Subsidiaries and therefore the Issuer will depend on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Senior Secured Notes. The Senior Secured Notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Issuer's non-Guarantor Subsidiaries. Any right of the Issuer or any Guarantor to receive assets of any of its non-Guarantor Subsidiaries upon that non-Guarantor Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Senior Secured Notes to participate in those assets) will be effectively subordinated to the claims of that non-Guarantor Subsidiary's creditors, except to the extent that the Issuer or such Guarantor is itself recognized as a creditor of the non-Guarantor Subsidiary, in which case the claims of the Issuer or such Guarantor, as the case may be, would still be subordinated in right of payment to any security in the assets of the non-Guarantor Subsidiary and any Indebtedness of the non-Guarantor Subsidiary senior to that held by the Issuer or such Guarantor. As of March 31, 2014, our non-Guarantor Subsidiaries had non-current financial liabilities of €9.4 million (on a non-consolidated basis). See "*Risk factors—Risks Related to the Notes—Each of the Issuers is dependent upon cash flow from subsidiaries to meet its obligations on the Notes and the Notes Guarantees*".

As of the Issue Date, the Issuer's sole Subsidiaries, Galapagos BidCo and Blitz, will be "Restricted Subsidiaries" for purposes of the Senior Secured Notes Indenture. As of the Completion Date, all of the Issuer's Subsidiaries will be "Restricted Subsidiaries" for purposes of the Senior Secured Notes Indenture. Under certain circumstances described below under the caption "*—Certain covenants—Designation of Restricted and Unrestricted Subsidiaries*", the Issuer will be permitted to designate Restricted Subsidiaries as "Unrestricted Subsidiaries". Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Senior Secured Notes Indenture.

Principal and maturity

The Issuer will issue €325.0 million in aggregate principal amount of Floating Rate Notes in registered form and €200.0 million in aggregate principal amount of Fixed Rate Notes in registered form on the Issue Date. The Issuer may issue additional Senior Secured Notes ("**Additional Senior Secured Notes**") under the Senior Secured Notes Indenture from time to time after the Issue Date. Any issuance of Additional Senior Secured Notes is subject to all of the covenants in the Senior Secured Notes Indenture, including the covenant described below under the caption "*—Certain covenants —Incurrence of Indebtedness and issuance of preferred stock*".

The Floating Rate Notes will mature on June 15, 2021 and the Fixed Rate Notes will mature on June 15, 2021. The redemption price at maturity will equal 100% of the principal amount of the Senior Secured Notes redeemed.

The Floating Rate Notes and the Fixed Rate Notes will each constitute a separate series of Senior Secured Notes under the Senior Secured Notes Indenture. Except with respect to right of payment and optional redemption, and except as otherwise provided in the Senior Secured Notes Indenture, the Floating Rate Notes and the Fixed Rate Notes issued on the Issue Date and any Additional Senior Secured Notes subsequently issued under the Senior Secured Notes Indenture will be treated as a single class for all purposes under the Senior Secured Notes Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase. The Additional Senior Secured Notes will not be issued with the same identification numbers as the Senior Secured Notes issued on the Issue Date unless the Additional Senior Secured Notes are fungible with the Senior Secured Notes issued on the Issue Date for U.S. federal income tax purposes. The Issuer will issue Senior Secured Notes in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Interest

Floating Rate Notes

Interest on the Floating Rate Notes will accrue at a rate per annum (the "**Applicable Rate**"), reset quarterly, equal to the sum of (i) EURIBOR plus (ii) 4.75%, as determined by the calculation agent (the "**Calculation Agent**"), who will initially be Deutsche Bank AG, London Branch. Interest on the Floating Rate Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing on September 15, 2014;
- be payable to the holder of record of such Floating Rate Notes on March 1, June 1, September 1 and December 1 immediately preceding the related interest payment date; and
- be computed on the basis of a 365-day year and the actual number of days elapsed.

The Calculation Agent will, as soon as practicable after 11:00 a.m., Brussels time, on each Determination Date, determine the Applicable Rate and calculate the aggregate amount of interest payable on the Floating Rate Notes in respect of the following Interest Period (the "**Interest Amount**"). The Interest Amount will be calculated by applying the Applicable Rate to the principal amount of the Floating Rate Notes outstanding at the commencement of the Interest Period, multiplying each such amount by the actual number of days in the Interest Period concerned divided by 365. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g., 4.876545% (or 0.04876545) being rounded to 4.87655% (or 0.0487655)). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent will, in the absence of willful default, bad faith or manifest error, be final and binding on all parties. In no event will the rate of interest on the Floating Rate Notes be higher than the maximum rate permitted by applicable law.

Interest on overdue principal and interest will accrue at a rate that is 1% higher than the then applicable interest rate on the Floating Rate Notes.

The rights of holders of the Floating Rate Notes to receive the payments of interest on such Floating Rate Notes will be subject to applicable procedures of Euroclear and Clearstream. If a particular interest payment date is not a Business Day, then the payment date will move to the next Business Day. Therefore the Interest Period will be one or more days longer.

Set forth below is a summary of certain provisions from the Senior Secured Notes Indenture relating to the calculation of interest on the Floating Rate Notes:

"**Determination Date**", with respect to an Interest Period, means the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

"**EURIBOR** ", with respect to an Interest Period, means the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Reuters Page 248 as of 11:00 a.m. Brussels time, on the Determination Date. If Reuters Page 248 does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the Eurozone interbank market, as selected by the Calculation Agent, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the Eurozone interbank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in London, as selected by the Calculation Agent, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euro to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

"**Eurozone**" means the region comprised of member states of the European Union that at the relevant time have adopted the euro.

"**Interest Period**" means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period will commence on and include the Issue Date and end on and include September 15, 2014.

"**Representative Amount**" means the greater of (i) €1.0 million and (ii) an amount that is representative for a single transaction in the relevant market at the relevant time.

"**Reuters Page 248**" means the display page so designated on Reuters, or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor.

Fixed Rate Notes

Interest on the Fixed Rate Notes will accrue at the rate of 5.375% per annum. Interest on the Fixed Rate Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on June 15 and December 15 of each year, commencing on December 15, 2014;
- be payable to the holder of record of such Fixed Rate Notes on June 1 and December 1 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on overdue principal and interest will accrue at a rate that is 1% higher than the interest rate on the Fixed Rate Notes.

The rights of holders of the Fixed Rate Notes to receive the payments of interest on such Fixed Rate Notes will be subject to applicable procedures of Euroclear and Clearstream. If a particular interest payment date is not a Business Day, then the payment date will move to the next Business Day, and the holders of the Fixed Rate Notes will not be entitled to any further interest or other payment as a result of any such delay.

Paying agent and registrar for the Senior Secured Notes

The Issuer will maintain one or more paying agents (each, a "**Paying Agent**") for the Senior Secured Notes in each of (i) the City of London and (ii) Luxembourg for so long as the Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange (the "**Euro MTF Market**"). The Issuer will undertake to maintain a Paying Agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to the Council Directive 2003/48/EC (as amended from time to time) or any other directive implementing the conclusions of the ECOFIN Council meeting on November 26 and 27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such directive. The initial Paying Agents will be Deutsche Bank AG, London Branch, in London and Deutsche Bank Luxembourg S.A. in Luxembourg.

The Issuer will also maintain one or more registrars (each, a "**Registrar**") and one or more transfer agents (each, a "**Transfer Agent**") for the Senior Secured Notes. The initial Registrar and Transfer Agent will be Deutsche Bank Luxembourg S.A.

The Registrar will maintain a register (the "**Register**") reflecting ownership of Senior Secured Notes outstanding from time to time and will make payments on and facilitate transfers of Senior Secured Notes on behalf of the Issuer. A copy of the Register will be sent to the Issuer on the Issue Date and after any change to the Register made by the Registrar, with such copy to be held by the Issuer at its registered office in the form of a register of notes (*registre des obligations*). For purposes of Luxembourg law, ownership of the Senior Secured Notes will be evidenced through registration from time to time in the register of notes (*registre des obligations*) held at the registered office of the Issuer, and such registration is a means of evidencing title to the Senior Secured Notes. In the case of any discrepancies between the Register and the register of notes (*registre des obligations*) held by the Issuer at its registered office, the latter will prevail for purposes of Luxembourg law. See "*Book-Entry, Delivery and Form*".

The Issuer may change the Paying Agents, the Registrar or the Transfer Agent without prior notice to the holders of Senior Secured Notes. For so long as the Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a daily newspaper having a general circulation in Luxembourg (which is currently expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Methods of receiving payments on the Senior Secured Notes

Principal, interest, premium, if any, and Additional Amounts, if any, on the Global Notes will be payable at the specified office or agency of one or more Paying Agents by wire transfer of immediately available funds to the account specified by the registered holder thereof (being the common depositary for Euroclear and Clearstream or its nominee).

Principal, interest, premium, if any, 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 by wire transfer or by check mailed to the registered holder thereof.

Transfer and exchange

Each series of Senior Secured Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Rule 144A Global Notes**"), and each series of Senior Secured Notes sold outside the United States pursuant to Regulation S under the U.S. 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 Rule 144A Global Notes, the "**Global Notes**").

During the 40-day distribution compliance period (as such term is defined in Rule 902 of Regulation S), book-entry interests in the Regulation S Global Notes may be transferred only to non-U.S. persons under Regulation S under the U.S. Securities Act or to persons whom the transferor reasonably believes are "qualified institutional buyers" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction.

Ownership of interests in the Global Notes (the "**Book-Entry Interests**") will be limited to Persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*". In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the Rule 144A Global Notes (the "**Rule 144A Book-Entry Interests**") may be transferred to a Person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**") only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act. Regulation S Book-Entry Interests may be transferred to a Person who takes delivery in the form of Rule 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made to a Person whom the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraph 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 and integral multiples of €1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates and other documentation required by the Senior Secured Notes Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Senior Secured Notes Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to Investors*".

Subject to the restrictions on transfer referred to above, Senior Secured Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, to Persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Senior Secured Notes Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange; *provided* that if the Issuer or any Guarantor is a party to the transfer or exchange, the holder will not be required to pay such Taxes.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Senior Secured Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Senior Secured Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Senior Secured Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date with respect to such Senior Secured Notes; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

The Issuer, the Trustee, the Paying Agents and the Registrars will be entitled to treat the registered holder of a Senior Secured Note as the owner of it for all purposes.

Additional Amounts

All payments made by or on behalf of the Issuer under or with respect to the Senior Secured Notes or any of the Guarantors with respect to any Notes Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated or organized, engaged in business for tax purposes or otherwise resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each of clauses (1) and (2), a "**Tax Jurisdiction**") will at any time be required to be made from any payments made by or on behalf of the Issuer under or with respect to the Senior Secured Notes or any of the Guarantors with respect to any Notes Guarantee, including payments of principal, redemption price, purchase price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received in respect of such payments by each holder after such withholding or deduction (including any such withholding or deduction from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided*, *however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of a present or former connection between the holder or the beneficial owner of the Senior Secured Notes (or between a fiduciary, settlor, beneficiary, partner of, member or shareholder of, or possessor of a power over, the relevant holder, if the relevant holder is an estate, trust, nominee, partnership, limited liability company or corporation) and the relevant Tax Jurisdiction (including being or having been a citizen, resident or national thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein) other than any connection arising from the holding of such Senior Secured Note, the exercise or enforcement of rights under such Senior Secured Note or under a Notes Guarantee or the receipt of any payments in respect of such Senior Secured Note or a Notes Guarantee;

(2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Senior Secured Note for payment (where Senior Secured Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Senior Secured Note been presented on the last day of such 30 day period);

(3) any estate, inheritance, gift or similar Taxes;

(4) Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Senior Secured Notes who would have been able to be exempted from such withholding or deduction by presenting the relevant Senior Secured Note to another paying agent in a member state of the European Union;

(5) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the holder or beneficial owner of Senior Secured Notes, following the Issuer's written request addressed to such holder or beneficial owner (and made at a time that would enable the holder or beneficial owner acting reasonably to comply with that request, and in all events, at least 30 days before any such withholding or deduction would be payable to the holder or beneficial owner), to comply with any certification, identification, information or other reporting requirement, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally obligated to provide such certification or documentation; and provided further that such obligation to provide certification or documentation is not the consequence of the failure of the Issuer or any of the Guarantors to make any previous registration, notice or filing with any competent authority;

(6) any Taxes not payable by deduction or withholding by the Issuer or relevant Guarantor from payments under, or with respect to, the Senior Secured Notes or with respect to any Notes Guarantee, or Taxes imposed in any way by virtue of the Senior Secured Notes being secured directly or indirectly by German-*situs* real estate or German rights which are subject to the civil law provisions on real estate;

(7) any Taxes to the extent such Taxes would not be imposed or withheld but for the application of section 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), as of the date of this offering memorandum, including any current or future Treasury regulations, other official interpretations thereunder, or any law implementing an intergovernmental approach thereto ("**FATCA**");

(8) any Taxes imposed on or with respect to any payment by the Issuer or Guarantor to the holder if such holder is a fiduciary or any person other than the beneficial owner of such payment to the extent that Taxes would not have been imposed on such payment had such holder been the beneficial owner of such Senior Secured Note; or

(9) any combination of items (1) through (8) above.

In addition to the foregoing, the Issuer and the Guarantors will also pay and indemnify the holder for any present or future stamp, issue, registration, court or documentary taxes, and any other excise or property Taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, transfer, issuance or registration of any of the Senior Secured Notes, the Senior Secured Notes Indenture, any Notes Guarantee or any other document referred to therein or the receipt of any payments with respect thereto (limited, solely in the case of Taxes attributable to the receipt of any payments with respect thereto, to any such Taxes imposed in a Tax Jurisdiction that are not excluded under clauses (1) through (4) or (6) above or any combination thereof), and any such Taxes, charges or similar levies imposed by any jurisdiction as a result of, or in connection with, the enforcement of any of the Senior Secured Notes or any Notes Guarantee.

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Senior Secured Notes or any Notes Guarantee, each of the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 45 days prior to that payment date, in which case the Issuer or the relevant Guarantor will notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate must also set forth any other information necessary to enable the Paying Agents to pay such Additional Amounts to holders on the relevant payment date. The Issuer and the relevant Guarantor will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts. The Trustee will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law or otherwise required pursuant to FATCA and will timely remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee (or to a holder upon written request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee or the holder) by such entity.

Whenever in the Senior Secured Notes Indenture or in this "*Description of the Senior Secured Notes*" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Senior Secured Notes or of principal, interest or any other amount payable under, or with respect to, any of the Senior Secured Notes or any Notes Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The obligations under this covenant will survive any termination, defeasance or discharge of the Senior Secured Notes Indenture, any transfer by a holder or beneficial owner of its Senior Secured Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated or organized, engaged in business for tax purposes or otherwise resident for tax purposes or any jurisdiction from or through which such Person makes any payment under or with respect to the Senior Secured Notes (or any Notes Guarantee) and any department or political subdivision thereof or therein.

Notes Guarantees

The Senior Secured Notes will be guaranteed by the Issue Date Guarantors on the Issue Date and by the Targets and certain of their Subsidiaries (together, the "**HX Guarantors**") within 90 days (or 45 days in the case of entities incorporated in Germany) after the Completion Date.

The HX Guarantors and their respective jurisdictions of organization will be as follows:

GEA Klimatechnik GmbH	Austria
Dobbelenberg SA/NV	Belgium
GEA EcoServe België BVBA	Belgium
GEA Happel Belgium SA/NV	Belgium
Bliss & Co. Limited.	England and Wales
GEA Heat Exchangers Limited	England and Wales
GEA Searle Ltd.	England and Wales
GEA 2H Water Technologies GmbH	Germany
GEA Air Treatment GmbH	Germany
GEA Air Treatment Production GmbH	Germany
GEA Ecoflex GmbH	Germany
GEA Energietechnik GmbH	Germany
GEA Industriebeteiligungen GmbH	Germany
GEA Küba GmbH	Germany
GEA Luftkühler GmbH	Germany
GEA Maschinenkühltechnik GmbH	Germany
GEA NEMA Wärmetauscher GmbH	Germany
GEA Renzmann & Grünewald GmbH	Germany
GEA WTT GmbH	Germany
HX Holding GmbH	Germany
RSZ Rott Sarstedt Zerspanung Gesellschaft mit beschränkter Haftung	Germany
GEA EGI Energiagazdálkodási Zrt.	Hungary
GEA Bloksma B.V.	Netherlands
GEA EcoServe Nederland B.V.	Netherlands
GEA Goedhart B.V.	Netherlands
GEA Goedhart Holding B.V.	Netherlands
GEA Happel Nederland B.V.	Netherlands
GEA Polacel Cooling Towers B.V.	Netherlands
GEA Klimatyzacja Sp. z o.o.	Poland
GEA Polska Sp. z o.o.	Poland
„GEA Technika Cieplna" Sp. z o.o.	Poland
GEA 2H Water Technologies Sp. z o.o.	Poland
GEA Heat Exchangers Pte. Ltd.	Singapore
GEA Aircooled Systems Proprietary Limited.	South Africa
GEA Nilenca Proprietary Limited.	South Africa
GEA Thermal Engineering Investments Proprietary Limited	South Africa
GEA Heat Exchangers, Inc.	United States
GEA of Alabama, LLC	United States

The Notes Guarantees will be joint and several obligations of the Guarantors. The obligations of the Guarantors will be contractually limited under the Senior Secured Notes Indenture 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.

For a description of such limitations, see "*Risk Factors—Risks Related to the Notes—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*".

Release of Notes Guarantees

The Notes Guarantee of a Guarantor will be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Issuer or any Restricted Subsidiary, if the sale or other disposition is not prohibited by or does not otherwise violate the "Asset Sale" provisions of the Senior Secured Notes Indenture;

(2) in connection with any sale or other disposition of Capital Stock of that Guarantor or any holding company of such Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition is not prohibited by or does not otherwise violate the "Asset Sale" provisions of the Senior Secured Notes Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

(3) if the Issuer designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Secured Notes Indenture;

(4) upon Legal Defeasance, Covenant Defeasance or satisfaction and discharge of the Senior Secured Notes Indenture as described below under the captions "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and discharge*";

(5) upon the full and final payment and performance of all obligations of the Issuer and the Guarantors under the Senior Secured Notes Indenture and the Senior Secured Notes;

(6) in connection with an enforcement sale pursuant to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for under the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) as described under "*—Amendment, supplement and waiver*"; or

(8) in the case of any Restricted Subsidiary that after the Issue Date is required to guarantee the Senior Secured Notes pursuant to the covenant described under "*—Certain covenants —Additional Guarantees*" upon the release or discharge of the Guarantee of Indebtedness by such Restricted Subsidiary which resulted in the obligation to Guarantee the Senior Secured Notes; *provided* that such Restricted Subsidiary does not Guarantee any other Indebtedness of the Issuer or any Guarantor (unless such other Guarantee is released at the same time).

Upon any occurrence giving rise to a release of a Notes Guarantee as specified above, the Trustee will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Notes Guarantee. None of the Issuer, any Guarantor or the Trustee will be required to make a notation on the Senior Secured Notes to reflect any such release, termination or discharge.

Security

General

On the Issue Date, the Senior Secured Notes and the Notes Guarantees of the Issue Date Guarantors will be secured, on a first-priority basis, by Liens over:

- the Senior Secured Notes Escrowed Property;
- all shares of the Capital Stock and preferred equity certificates of each Issue Date Guarantor;
- certain bank accounts of the Issuer and the Issue Date Guarantors;
- certain intercompany loan receivables of the Issuer and the Issue Date Guarantors;
- receivables of the Issuer and Blitz under certain hedging agreements and any other receivables owed to the Issuer and Galapagos BidCo;
- receivables of Blitz under certain factoring or collection agreements;
- claims of the Issuer and the Issue Date Guarantors against the providers of certain reports; and
- receivables of Blitz under the Acquisition Agreement.

On the Completion Date, the Senior Secured Notes and the Notes Guarantees will be secured, on a first-priority basis, by Liens over:

- all shares of the Capital Stock of the Targets; and
- the Senior Secured Notes Proceeds Loans.

Subject to the Agreed Security Principles and certain perfection requirements, within 90 days (or 45 days in the case of Collateral located in Germany) after the Completion Date, the Senior Secured Notes and the Notes Guarantees will be secured, on a first-priority basis, by Liens over:

- all shares of the Capital Stock of each HX Guarantor and certain other subsidiaries located in the Czech Republic, France and Italy held by the Issuer and the Restricted Subsidiaries (to the extent not already secured as of the Completion Date);
- certain insurance receivables, bank accounts, intercompany loan receivables, trade receivables, real estate and other assets of the HX Guarantors located in Germany; and
- certain bank accounts, intercompany loan receivables, trade receivables and other assets of the HX Guarantors located in Austria, Belgium, England, Hungary, the Netherlands, Poland, Singapore, South Africa and the United States.

Subject to the terms of the Senior Secured Notes Indenture and the Intercreditor Agreement, certain other Indebtedness and liabilities will be permitted to be secured by the Collateral now and in the future. The Collateral will be pledged pursuant to the Security Documents to the Security Agent on behalf of the holders of the obligations that are secured by the Collateral, including holders of the Senior Secured Notes.

Notwithstanding the foregoing and the provisions of the covenant described below under "*—Certain Covenants—Additional Guarantees*", certain property, rights and assets (other than the Collateral described in the first and second paragraphs of this section) 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. The following is a summary of certain terms of the Agreed Security Principles:

- general statutory limitations, financial assistance, corporate benefit, fraudulent preference, thin capitalization rules, earnings stripping, controlled foreign corporation and capital maintenance rules, retention of title claims, employee approval requirements and similar principles may limit the ability of the Issuer and its Restricted Subsidiaries to provide a Guarantee or security or may require that the Guarantee or security be limited by an amount or otherwise and, if so, the Guarantees and security provided will be limited accordingly, provided that reasonable endeavors must be used to assist in demonstrating that adequate corporate benefit accrues to the Issuer or the relevant Restricted Subsidiary, as the case may be, and to overcome any such other limitations to the extent that to do so is reasonably practicable and is not reasonably likely to result in a material disruption to the business or operations of the Issuer and the Restricted Subsidiaries;
- the security and the extent of its perfection will be agreed on the basis that the cost of providing security must be proportionate to the benefit accruing to the secured parties;
- any assets subject to third party arrangements permitted under the relevant finance documents which may prevent those assets from being charged will be excluded from any relevant security document, provided that reasonable endeavors to obtain consent to charging any such assets must be used if the asset is material;
- Guarantees and security will not be required to be provided if it is not within the legal capacity of the relevant entity or if and to the extent that would conflict with the fiduciary duties of its directors or contravene any legal prohibition or result in a risk of personal or criminal liability on the part of any officer, provided that reasonable endeavors must be used to overcome any such obstacle to the extent that it can be done at a reasonable cost and doing so is not reasonably likely to result in a material disruption to the business or operations of the Issuer and the Restricted Subsidiaries;
- Restricted Subsidiaries incorporated, established or organized in the People's Republic of China, the Russian Federation or the Republic of India will not be required to give Guarantees or grant security, and the Issuer and the Restricted Subsidiaries will not be required to provide any security in respect of any shares or other ownership interests held in or in respect of any entities incorporated, established or organized in such countries or any assets located in such countries;
- Guarantees and security in respect of any shares or other ownership interests held in or in respect of any assets of any entity incorporated, established or organized in the Czech Republic, France or Italy will be limited to security in respect of the shares of such entities, except in certain circumstances if such an entity has acceded as a borrower under the Revolving Credit Facility Agreement;
- the granting of Guarantees and security, perfection of security, when required, and other legal formalities will be completed as soon as practicable and within the time periods specified in the applicable finance documents therefor or, if earlier, within the time periods specified by law to ensure due perfection, except that prior to an acceleration event, the Issuer and the Restricted Subsidiaries will not be required to take any steps of perfecting security if, in the reasonable opinion of the directors of the relevant entity, it would have a material adverse effect on the ability of the relevant entity to conduct its operations and business in the ordinary course;

- the Issuer and the Restricted Subsidiaries will not be required to grant security over real estate, receivables, moveable assets or intellectual property rights other than (i) security in respect of certain real estate assets located in Germany, (ii) where security over receivables, moveable assets or intellectual property rights can be created by way of a floating charge, global security assignment or other general lien or similar instrument under the laws of the relevant jurisdiction where such entity is incorporated, established or organized and (iii) where security over receivables or moveable assets cannot be created as described in clause (ii), receivables and moveable assets will be secured separately to the extent that such security can be provided by describing such assets as a group rather than specifying such assets individually, in each case only to the extent that providing such security does not require the Issuer or the Restricted Subsidiaries to comply with onerous reporting requirements; and
- where a class of assets to be secured includes material and immaterial assets, if the costs of granting security over the immaterial assets is disproportionate to the benefit of such security, security will be granted over the material assets only.

The obligations under the Senior Secured Notes, the Revolving Credit Facility Agreement, the Guarantee Facility Agreement, certain Hedging Obligations and any Additional Senior Secured Notes will be secured equally and ratably by first-priority Liens over the Collateral. Under the Senior Secured Notes Indenture, the Issuer and the Restricted Subsidiaries will be permitted to maintain Permitted Collateral Liens, and will be permitted to incur certain additional Indebtedness and other liabilities in the future which may share in the Collateral, including additional Permitted Collateral Liens securing Indebtedness and other liabilities on an equal and ratable *pari passu* basis with the Senior Secured Notes, including Senior Secured Indebtedness incurred pursuant to the first paragraph of the covenant described under the caption "*—Certain covenants—Incurrence of Indebtedness and issuance of preferred stock*". The amount of such Permitted Collateral Liens will be limited by the covenants described under the captions "*—Certain covenants—Liens*" and "*—Certain covenants —Incurrence of Indebtedness and issuance of preferred stock*". Under certain circumstances, the amount of such additional Indebtedness and other liabilities secured by Permitted Collateral Liens could be significant.

Any liabilities in respect of obligations under the Revolving Credit Facility Agreement, the Guarantee Facility Agreement and certain Hedging Obligations will receive priority with respect to any proceeds received upon any enforcement action over any Collateral. Any proceeds received upon any enforcement action over any Collateral will, after all obligations under the Revolving Credit Facility Agreement, the Guarantee Facility Agreement and such priority Hedging Obligations have been paid from such recoveries, be applied *pro rata* in repayment of all obligations under the Senior Secured Notes Indenture and the Senior Secured Notes (including any Additional Senior Secured Notes), any other Hedging Obligations and any other Indebtedness permitted to be incurred pursuant to the Senior Secured Notes Indenture and the Intercreditor Agreement and secured by the Collateral on an equal and ratable *pari passu* basis with the Senior Secured Notes.

The Security Documents will be entered into by, *inter alios*, the Security Agent or its nominees, who will act as Security Agent for the lenders under the Revolving Credit Facility Agreement and the Guarantee Facility Agreement, for the Trustee and the holders of the Senior Secured Notes, for the Senior Notes Trustee and the holders of the Senior Notes and for the counterparties to the Hedging Obligations referred to above.

The proceeds from the sale of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Senior Secured Notes. No appraisals of the Collateral have been made in connection with this offering of the Senior Secured 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. Under the Intercreditor Agreement, the holders of the Senior Secured Notes will be required to share recovery proceeds with other secured creditors, have certain limitations on their ability to enforce the Security Documents and have agreed that the Collateral may be released in certain circumstances without their consent. See "*Risk Factors —Risks Related to the Notes—The Collateral may not be sufficient to secure the obligations under the Notes*".

Each holder of the Senior Secured Notes, by accepting a Senior Secured Note, shall be deemed (i) to have authorized the Trustee to enter into the Intercreditor Agreement and the Security Agent to enter into the Security Documents and the Intercreditor Agreement and (ii) to be bound thereby. Each holder of Senior Secured Notes, by accepting a Senior Secured Note, appoints the Trustee or the Security Agent, as the case may be, as its trustee or agent under the Security Documents and the Intercreditor Agreement and authorizes it to act as such.

Subject to the terms of the Security Documents, the Senior Secured Notes Indenture, the Revolving Credit Facility Agreement, the Guarantee Facility Agreement, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Issuer and its Subsidiaries will have the right to remain in possession and retain exclusive control of the Collateral securing the Senior Secured Notes and the Notes Guarantees, to freely operate the property and assets constituting Collateral, to exercise any and all voting rights and to receive and retain any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares of stock resulting from stock splits or reclassifications, rights issue, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of the shares that are part of the Collateral.

Security Documents

The relevant security provider and the Security Agent will, as applicable, enter into Security Documents defining the terms of the security interests that will secure the Senior Secured Notes and the Notes Guarantees and the other secured obligations that will be secured by the Collateral. Subject to the terms of, and limitations under, the Security Documents, these security interests will secure the payment and performance when due of all of the obligations of the Issuer and the Guarantors under the Senior Secured Notes, the Senior Secured Notes Indenture, the Notes Guarantees and the Security Documents. The terms of the Security Documents will limit the enforcement generally to an effect similar to the limitations on the Notes Guarantees. See "*Risk Factors—Risks Related to the Notes —Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*".

Subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement, the Security Documents will, as described under the caption "*Description of Certain Financing Arrangements—Intercreditor Agreement*", permit the Trustee and the agent for the Revolving Credit Facility Agreement and the Guarantee Facility Agreement to instruct the Security Agent to take enforcement action under the Security Documents following the occurrence of certain acceleration events under the Senior Secured Notes Indenture or, as applicable, the Revolving Credit Facility Agreement or the Guarantee Facility Agreement.

In certain jurisdictions, the rights of the Trustee and the holders of the Senior Secured Notes will not be directly secured by the Security Documents, but through the parallel debt claim granted by the relevant Guarantor to the Security Agent in the Intercreditor Agreement that (subject to limitations generally to an effect similar to the limitations on the Notes Guarantees) is equal to the total amounts payable under the Senior Secured Notes Indenture and the Senior Secured Notes. The parallel debt construct has not been tested under law in certain of these jurisdictions. Please see "*Risk Factors —Risks Related to the Notes—The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes and certain collateral will be granted subsequent to the issuance of the Notes. The ability of the Security Agent to enforce certain of the collateral may be restricted by local law*".

Neither the holders of the Senior Secured Notes nor the Trustee are a party to the Security Documents. Therefore, neither the Trustee nor the holders of the Senior Secured Notes may, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The holders of the Senior Secured Notes may only take action through the Security Agent. The Security Agent will agree to any release of the security interest created by the Security Documents that is in accordance with the Senior Secured Notes Indenture and the Intercreditor Agreement without requiring any consent of the holders or the Trustee. In certain circumstances, the Trustee will have the ability to direct the Security Agent to commence enforcement action under the Security Documents.

Release

The Issuer and the Guarantors will be entitled to the release of the Liens over property and other assets constituting Collateral securing the Senior Secured Notes and the Notes Guarantees under any one or more of the following circumstances:

(1) in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets to a Person that is not (either before or after giving effect to such transaction) the Issuer or any Restricted Subsidiary, if the sale or other disposition is not prohibited by, or does not otherwise violate the "Asset Sale" provisions of the Senior Secured Notes Indenture;

(2) in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Senior Secured Notes Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Secured Notes Indenture, the release of the property and assets of such Restricted Subsidiary;

(4) upon Legal Defeasance, Covenant Defeasance or satisfaction and discharge of the Senior Secured Notes Indenture as provided below under the captions "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and discharge*";

(5) upon the full and final payment and performance of all obligations of the Issuer and the Guarantors under the Senior Secured Notes Indenture and the Senior Secured Notes;

(6) in connection with an enforcement sale pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for under the Intercreditor Agreement or any Additional Intercreditor Agreement; or

(7) as described under "*—Amendment, supplement and waiver*".

In addition, the Liens created by the Security Documents will be released (a) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement (provided that if such release is in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets to the Issuer or any Restricted Subsidiary and is not in connection with an enforcement action taken by the senior creditors as provided under the Intercreditor Agreement or such Additional Intercreditor Agreement, the property or assets so transferred become subject to a Lien in favor of the Senior Secured Notes and the Notes Guarantees immediately following such sale, assignment, transfer, conveyance or other disposition) and (b) as may be permitted by the covenant described under "*Certain covenants—Impairment of security interest*". 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.

The Security Agent and the Trustee will (but only to the extent actually required) take all necessary action reasonably required to effectuate any release of Collateral securing the Senior Secured Notes and the Notes Guarantees, in accordance with the provisions of the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be affected by the Security Agent without the consent of the holder or any action on the part of the Trustee.

Intercreditor Agreement

On the Issue Date, the Trustee will enter into an Intercreditor Agreement with, among others, the agents under the Revolving Credit Facility Agreement and the Guarantee Facility Agreement and the counterparties to certain Hedging Obligations, as described under "*Description of Certain Financing Arrangements—Intercreditor Agreement*". Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility Agreement, the Guarantee Facility Agreement and Hedging Obligations under agreements or arrangements designed to manage interest rate risk or exchange rate risk with respect to the Senior Secured Notes or the Senior Notes or other obligations from time to time subject to the Intercreditor Agreement and other Hedging Obligations under arrangements designed to manage exchange rate risk, in the latter case, in an amount not to exceed €30.0 million will receive priority with respect to any proceeds received upon any enforcement action over any Collateral. Any proceeds received upon any enforcement action over any Collateral will, after all obligations under the Revolving Credit Facility Agreement, the Guarantee Facility Agreement and such priority Hedging Obligations have been paid from such recoveries, will be applied *pro rata* in repayment of all obligations under the Senior Secured Notes Indenture and the Senior Secured Notes and any other Hedging Obligations or other Indebtedness permitted to be incurred pursuant to the Senior Secured Notes Indenture and the Intercreditor Agreement and secured by the Collateral on an equal and ratable *pari passu* basis with the Senior Secured Notes.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of the Senior Secured Notes on the Issue Date, the Issuer will enter into the Senior Secured Notes Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the initial purchasers will deposit with the Escrow Agent an amount equal to the gross proceeds of the offering of the Senior Secured Notes sold on the Issue Date less certain deductions with respect to fees into the Senior Secured Notes Escrow Accounts. The Senior Secured Notes Escrow Accounts will be pledged on a first-priority basis in favor of the Trustee for the benefit of the holders of the Senior Secured Notes, pursuant to an escrow charge dated the Issue Date between the Issuer and the Trustee (the "**Senior Secured Notes Escrow Charge**"). The initial funds deposited in the Senior Secured Notes Escrow Accounts, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Senior Secured Notes Escrow Accounts (less any property and/or funds paid in accordance with the Senior Secured Notes Escrow Agreement) are referred to, collectively, as the "**Senior Secured Notes Escrowed Property**".

In order to cause the Escrow Agent to release the Senior Secured Notes Escrowed Property to the Issuer (the "**Release**"), the Escrow Agent and the Trustee shall have received from the Issuer, at a time that is on or before the Escrow Longstop Date, an Officer's Certificate to the effect that:

- the Acquisition will be consummated on the terms set forth in the Acquisition Agreement, promptly following release of the Senior Secured Notes Escrowed Property, except for any changes or other modifications that will not, individually or when taken as whole, have a materially adverse effect on the holders of the Senior Secured Notes;
- the Transactions will be completed substantially as described in this offering memorandum, including with respect to the sections of this offering memorandum entitled "*Use of Proceeds*" and "*The Transactions*".
- immediately after consummation of the Acquisition, the Issuer will own, directly or indirectly, the entire share capital of the Targets; and
- as of the Completion Date, there is no Default or Event of Default under clause (9) of the first paragraph under the caption "*—Events of Default*" below.

The Release shall occur promptly upon the satisfaction of the conditions set forth above. The Escrow Agent and the Trustee shall be entitled to rely on the Officer's Certificate in relation to the satisfaction of such conditions. Upon the Release, the Senior Secured Notes Escrow Accounts shall be reduced to zero, and the Senior Secured Notes Escrowed Property shall be paid out in accordance with the Senior Secured Notes Escrow Agreement.

In the event that (a) the Completion Date and the Release do 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 by the Escrow Longstop Date, (c) the Acquisition Agreement terminates at any time prior to the Escrow Longstop Date, (d) the Equity Investors cease to beneficially own and control a majority of the issued and outstanding Capital Stock of the Issuer or the Senior Notes Issuer or (e) a Default or Event of Default arises under clause (9) of the first paragraph under the heading titled "*Events of Default*" on or prior to the Escrow Longstop Date (the date of any such event being the "**Special Termination Date**"), the Issuer will redeem all of the Senior Secured Notes (the "**Special Mandatory Redemption**") at a price (the "**Special Mandatory Redemption Price**") equal to 100% of the aggregate issue price of the Senior Secured Notes, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to (but not including) the Special Mandatory Redemption Date (subject to the rights of holders of Senior Secured Notes on the relevant record date to receive interest on the relevant interest payment date).

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 and the Escrow Agent, and will provide that the Senior Secured 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 Senior Secured Notes Escrow Agreement (the "**Special Mandatory Redemption Date**"). On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the principal Paying Agent for payment to each holder of Senior Secured Notes the Special Mandatory Redemption Price for such holder's Senior Secured Notes and, concurrently with the payment to such holders, deliver any excess Senior Secured Notes Escrowed Property to the Issuer.

In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Senior Secured Notes Escrowed Property, one or more of the Equity Investors will be required to fund the accrued and unpaid interest, and Additional Amounts, if any, owing to the holders of the Senior Secured Notes, together with the amount of any fees deducted from the gross proceeds of the offering on the Issue Date, pursuant to a guarantee provided by such Equity Investors. See "*Risk Factors—Risks Related to the Transactions—If the conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*".

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 Senior Secured Notes a security interest over the Senior Secured Notes Escrow Accounts. Receipt by the Trustee of either an Officer's Certificate for the release or a notice of Special Mandatory Redemption (provided funds sufficient to pay the Special Mandatory Redemption Price are in the Senior Secured Notes Escrow Accounts) shall constitute deemed consent by the Trustee for the release of the Senior Secured Notes Escrowed Property from the Senior Secured Notes Escrow Charge.

If, at the time of such Special Mandatory Redemption, the Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish a public announcement that the Special Mandatory Redemption has occurred and any relevant details relating to such Special Mandatory Redemption in a leading daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Optional redemption

Floating Rate Notes

At any time prior to June 15, 2015, the Issuer may on any one or more occasions redeem all or a part of the Floating Rate Notes, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Floating Rate Notes redeemed, plus the Applicable Premium as of the date of redemption, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of holders of Floating Rate Notes on the relevant record date to receive interest due on the relevant interest payment date).

Except pursuant to the preceding paragraph and except as described under *"—Redemption for changes in taxes*", the Floating Rate Notes will not be redeemable at the Issuer's option prior to June 15, 2015.

On or after June 15, 2015, the Issuer may on any one or more occasions redeem all or a part of the Floating Rate Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Floating Rate Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on June 15 of the years indicated below (subject to the rights of holders of Floating Rate Notes on the relevant record date to receive interest on the relevant interest payment date):

Year	Redemption Price
2015	101.000%
2016 and thereafter	100.000%

The Issuer will give the Trustee notice of any contemplated redemption at least five Business Days prior to the notice being given to the holders of the Floating Rate Notes.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Floating Rate Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

Fixed Rate Notes

At any time prior to June 15, 2017, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Fixed Rate Notes issued under the Senior Secured Notes Indenture, upon not less than 30 nor more than 60 days' notice to the holders thereof, at a redemption price equal to 105.375% of the principal amount of the Fixed Rate Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to (but not including) the date of redemption (subject to the rights of holders of Fixed Rate Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of an Equity Offering of (i) the Issuer or (ii) any Parent Entity to the extent the proceeds from such Equity Offering are contributed to the Issuer's common equity capital or are paid to the Issuer as consideration for the issuance of ordinary shares of the Issuer or are loaned to the Issuer as Subordinated Shareholder Debt; *provided* that:

(1) at least 60% of the aggregate principal amount of the Fixed Rate Notes (in each case calculated after giving effect to any issuance of Additional Senior Secured Notes that are Fixed Rate Notes) originally issued under the Senior Secured Notes Indenture (excluding Fixed Rate Notes held by the Issuer and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 120 days of the date of the closing of such Equity Offering.

In addition, at any time prior to June 15, 2017, the Issuer may on any one or more occasions redeem all or a part of the Fixed Rate Notes, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Fixed Rate Notes redeemed, plus the Applicable Premium as of the date of redemption, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of holders of Fixed Rate Notes on the relevant record date to receive interest due on the relevant interest payment date).

At any time prior to June 15, 2017, the Issuer may on any one or more occasions during each twelve-month period commencing with the Issue Date, upon not less than 30 nor more than 60 days' notice, redeem up to 10% of the then-outstanding aggregate principal amount of the Fixed Rate Notes at a redemption price equal to 103% of the principal amount of the Fixed Rate Notes redeemed (as applicable) plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of holders of Fixed Rate Notes on the relevant record date to receive interest due on the relevant interest payment date).

Except pursuant to the preceding three paragraphs and except as described under *"—Redemption for changes in taxes*", the Fixed Rate Notes will not be redeemable at the Issuer's option prior to June 15, 2017.

On or after June 15, 2017, the Issuer may on any one or more occasions redeem all or a part of the Fixed Rate Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Fixed Rate Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on June 15 of the years indicated below (subject to the rights of holders of Fixed Rate Notes on the relevant record date to receive interest on the relevant interest payment date):

Year	Redemption Price
2017	102.688%
2018	101.344%
2019 and thereafter	100.000%

The Issuer will give the Trustee notice of any contemplated redemption at least five Business Days prior to the notice being given to the holders of the Fixed Rate Notes.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Fixed Rate Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

Redemption for changes in Taxes

The Issuer may redeem any series of the Senior Secured Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of the relevant series of Senior Secured Notes (which notice will be irrevocable and given in accordance with the procedures described in "*—Selection and notice*"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "**Tax Redemption Date**") and all Additional Amounts (if any) then due and which will become due on or before the Tax Redemption Date as a result of the redemption or otherwise (subject to the rights of holders of such Senior Secured Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the relevant series of Senior Secured Notes, the Issuer is or would be required to pay Additional Amounts or a Guarantor would be unable to procure payment by the Issuer (or another Guarantor that would be able to make the relevant payment without paying Additional Amounts) and, in making payment itself, the relevant Guarantor would be required to pay Additional Amounts, and the Issuer or the relevant Guarantor, as applicable, cannot avoid any such payment obligation by taking reasonable measures available (including making payment through a Paying Agent located in another jurisdiction), and the requirement arises as a result of:

(1) any amendment to, or change in, the laws, treaties or any regulations or rulings promulgated thereunder of a relevant Tax Jurisdiction which change or amendment has not been publicly announced before and which becomes effective on or after the date of this offering memorandum (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of this offering memorandum, such later date); or

(2) any amendment to, or change in, an official written interpretation or application of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change has not been publicly announced before and which becomes effective on or after the date of this offering memorandum (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of this offering memorandum, such later date) (each of the foregoing clauses (1) and (2), a "**Change in Tax Law**").

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer or the Guarantor, as applicable, would be obligated to make such payment or withholding if a payment in respect of the relevant series of Senior Secured Notes were then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. At least five business days prior to the publication or, where relevant, mailing of any notice of redemption of any series of Senior Secured Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (i) an opinion of independent tax counsel (the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld)) to the effect that there has been such Change in Tax Law which would entitle the Issuer to redeem such Senior Secured Notes under the Senior Secured Notes Indenture and (ii) an Officer's Certificate to the effect that the Issuer or the Guarantor, as applicable, cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it.

The Trustee will accept and will be entitled to rely on such Officer's Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

Mandatory redemption

Other than in connection with a Special Mandatory Redemption, the Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Senior Secured Notes.

Repurchase at the option of holders

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 of Senior Secured Notes will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of that holder's Senior Secured Notes pursuant to a Change of Control Offer on the terms set forth in the Senior Secured Notes Indenture. In the Change of Control Offer, the Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Senior Secured Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (the "**Change of Control Payment**") (subject to the rights of holders of Senior Secured Notes on the relevant record date to receive interest due on the relevant interest payment date).

Within 30 days following any Change of Control, the Issuer will mail a notice to each holder of the Senior Secured Notes at such holder's registered address or otherwise deliver a notice in accordance with the procedures described under "*—Selection and notice*", stating that a Change of Control Offer is being made and offering to repurchase Senior Secured Notes on the date (the "**Change of Control Payment Date**") specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Senior Secured Notes Indenture and described in such notice. The Issuer will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act, and any other securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Senior Secured Notes as a result of a Change of Control Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the Change of Control provisions of the Senior Secured Notes Indenture, the Issuer will comply with any applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Secured Notes Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Senior Secured Notes or portions of Senior Secured Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Senior Secured Notes or portions of Senior Secured Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Senior Secured Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Senior Secured Notes or portions of Senior Secured Notes being purchased by the Issuer.

The Paying Agents will promptly mail (or cause to be delivered) to each holder of Senior Secured Notes properly tendered the Change of Control Payment for such Senior Secured Notes, and the Trustee (or its authenticating agent) will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Senior Secured Note equal in principal amount to any unpurchased portion of the Senior Secured Notes surrendered, if any. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date. If and for so long as the Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish a public announcement with respect to the results of any Change of Control Offer in a leading daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Senior Secured Notes Indenture are applicable. Except as described above with respect to a Change of Control, the Senior Secured Notes Indenture does not contain provisions that permit the holders of the Senior Secured Notes to require that the Issuer repurchase or redeem the Senior Secured Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Senior Secured Notes Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Secured Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) a notice of redemption has been given with respect to all of the Senior Secured Notes pursuant to the Senior Secured Notes Indenture as described above under the caption "—*Optional redemption*", unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Issuer's ability to repurchase the Senior Secured Notes pursuant to the 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 would constitute a mandatory prepayment event and/or a default due to a breach of undertaking under the Revolving Credit Facility Agreement and the Guarantee Facility Agreement. In addition, certain events that may constitute a change of control under the Revolving Credit Facility Agreement or the Guarantee Facility Agreement may not constitute a Change of Control under the Senior Secured Notes Indenture. The future Indebtedness of the Issuer and 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 the Senior Secured Notes of their right to require the Issuer to repurchase the Senior Secured Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the ability of the Issuer to pay cash to the holders of the Senior Secured Notes upon a repurchase may be limited by its then existing financial resources, and sufficient funds may not be available when necessary to make any required repurchases. We expect that we would require third party financing to make an offer to repurchase the Senior Secured Notes upon a Change of Control. We cannot assure you that we would be able to obtain such financing. Please see "*Risk Factors—Risks Related to the Notes—We may not have the ability to raise the funds necessary to finance an offer to repurchase the Senior Secured Notes and the Senior Notes upon the occurrence of certain events constituting a change of control as required by each Indenture and the change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events*".

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Issuer and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Senior Secured Notes to require the Issuer to repurchase its Senior Secured Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Subsidiaries taken as a whole to another Person or group may be uncertain.

The provisions under the Senior Secured Notes Indenture relating to the Issuer's obligation to make a Change of Control Offer may be waived or modified with the consent of the holders of a majority in principal amount of the Senior Secured Notes prior to the occurrence of the Change of Control.

Asset Sales

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, consummate an Asset Sale unless:

(1) the Issuer (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Issuer or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as recorded on the balance sheet of the Issuer or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Senior Secured Notes or any Notes Guarantee), that are assumed by the transferee of any such assets and as a result of which the Issuer and the Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities;

(b) any securities, notes or other obligations received by the Issuer or any such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 90 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;

(c) any Capital Stock or assets of the kind referred to in clauses (1)(b) or (1)(e) of the next paragraph of this covenant;

(d) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Sale having an aggregate Fair Market Value, when taken together with all other Designated Non-Cash Consideration received pursuant to this clause (d) that is at that time outstanding, not to exceed the greater of €20.0 million and 1.4% of Total Assets at the time of the receipt of such Designated Non-Cash Consideration (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value);

(e) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Issuer and each Restricted Subsidiary are released from any Guarantee of such Indebtedness in connection with such Asset Sale; and

(f) consideration consisting of Indebtedness of the Issuer or any Guarantor (other than Indebtedness that by its terms is subordinated to the Senior Secured Notes or any Notes Guarantee) received from Persons who are not the Issuer or a Restricted Subsidiary, to the extent that such Indebtedness is retired by the Issuer or the applicable Guarantor.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer (or the applicable Restricted Subsidiary, as the case may be) may:

(1) apply such Net Proceeds (at the option of the Issuer or Restricted Subsidiary):

(a) to repurchase, prepay or redeem (i) Indebtedness of the Issuer or any Guarantor incurred pursuant to clause (1)(a) of the definition of Permitted Debt that is secured by a Lien on the Collateral and that is not subordinated in right of payment to the Senior Secured Notes or the Notes Guarantees, (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor or (iii) any Indebtedness that is secured by a Lien on assets or property which do not constitute Collateral; *provided* that, in connection with any repurchase, prepayment or redemption of Indebtedness pursuant to this clause (a), the Issuer or such Restricted Subsidiary will retire such Indebtedness and, if the Indebtedness being repaid is revolving credit Indebtedness, will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so repurchased, repaid or redeemed;

(b) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;

(c) to make a capital expenditure;

(d) to purchase the Senior Secured Notes pursuant to an offer to all holders of Senior Secured Notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the rights of holders of the Senior Secured Notes of record on the relevant record date to receive interest due on the relevant interest payment date) (a "**Senior Secured Notes Offer**");

(e) to acquire other assets (other than Capital Stock) not classified as current assets under IFRS that are used or useful in a Permitted Business; or

(f) any combination of the foregoing; or

(2) enter into a binding commitment to apply the Net Proceeds pursuant to clauses (b), (c) or (e) of paragraph (1) above; *provided* that such binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated and (y) the 180th day following the expiration of the aforementioned 365-day period,

provided , *however*, that if the assets or Equity Interests disposed of in the Asset Sale constitute Collateral or constitute all or substantially all of the assets of a Restricted Subsidiary whose Capital Stock has been pledged as Collateral, subject to the Agreed Security Principles (the Issuer (or the applicable Restricted Subsidiary) shall cause any Capital Stock or assets acquired pursuant to this covenant to become subject to a Lien in favor of the Senior Secured Notes and the Notes Guarantees immediately following such acquisition.

Pending the final application of any Net Proceeds, the Issuer (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Senior Secured Notes Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "**Excess Proceeds**". Subject to the Intercreditor Agreement, when the aggregate amount of Excess Proceeds exceeds €20.0 million, within ten Business Days thereof, the Issuer will make an offer (an "**Asset Sale Offer**") to all holders of Senior Secured Notes and may make an offer to all holders of other Indebtedness that is *pari passu* with the Senior Secured Notes or any Notes Guarantees to purchase, prepay or redeem the maximum principal amount of Senior Secured Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Senior Secured Notes in any Asset Sale Offer will be equal to 100% of the principal amount thereof and the offer price for such *pari passu* Indebtedness will be no greater than 100% of the principal amount thereof, in each case plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, prepayment or redemption (and subject to the rights of holders of Senior Secured Notes on the relevant record date to receive interest due on the relevant interest payment date), and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer and the Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by the Senior Secured Notes Indenture. If the aggregate principal amount of Senior Secured Notes and other *pari passu* Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds or if the aggregate principal amount of Senior Secured Notes tendered pursuant to a Senior Secured Notes Offer exceeds the amount of the Net Proceeds so applied, the Trustee will select the Senior Secured Notes and such other *pari passu* Indebtedness, if applicable, to be purchased on a *pro rata* basis or in accordance with the procedures of Euroclear or Clearstream (or in the manner described under "*—Selection and notice*"), based on the amounts tendered or required to be prepaid or redeemed. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into euro-equivalent determined as of the Business Day immediately prior to the date on which the Asset Sale Offer is announced. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Issuer will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Senior Secured Notes pursuant to a Senior Secured Notes Offer or an Asset Sale Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the Asset Sale provisions of the Senior Secured Notes Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the Senior Secured Notes Indenture by virtue of such compliance.

Selection and Notice

Notices of redemption may be made subject to conditions precedent.

If less than all of the Senior Secured Notes are to be redeemed at any time, the Trustee will select Senior Secured Notes for redemption on a *pro rata* basis (or, in the case of Senior Secured Notes issued in global form as discussed under "*Book-entry, Delivery and Form*", based on a method that most nearly approximates a *pro rata* selection as the Trustee deems fair and appropriate, including by use of a pool factor), unless otherwise required by law or applicable stock exchange or depositary requirements. The Trustee will not be liable for selections made by it in accordance with this paragraph.

No Senior Secured Notes of €100,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Senior Secured Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Senior Secured Notes or a satisfaction and discharge of the Senior Secured Notes Indenture.

If any Senior Secured Note is to be redeemed in part only, the notice of redemption that relates to that Senior Secured Note will state the portion of the principal amount of that Senior Secured Note that is to be redeemed. A new Senior Secured Note in principal amount equal to the unredeemed portion of the original Senior Secured Note will be issued in the name of the holder of such Senior Secured Note upon cancellation of the original Senior Secured Note. Senior Secured Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior Secured Notes or portions of Senior Secured Notes called for redemption.

For Senior Secured Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, any such notice to the holders of the relevant Senior Secured Notes shall also be published in a newspaper having a general circulation in Luxembourg (which is currently expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*) and, in connection with any redemption, the Issuer will notify the Luxembourg Stock Exchange of any change in the principal amount of Senior Secured Notes outstanding.

Certain covenants

Incurrence of Indebtedness and issuance of preferred stock

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise (collectively, "**incur**"), with respect to any Indebtedness (including Acquired Debt), and the Issuer will not and will not permit any Guarantor to issue any Disqualified Stock and will not permit any Restricted Subsidiary to issue any shares of preferred stock; *provided*, *however*, that:

(1) the Issuer may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Guarantors may incur Indebtedness (including Acquired Debt) or issue preferred stock, if the Fixed Charge Coverage 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 or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.0 to 1.0, in each case, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom) as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such four-quarter period; and

(2) if such Indebtedness to be incurred is Senior Secured Indebtedness, the Issuer and the Guarantors may incur such Senior Secured Indebtedness if the Consolidated Senior Secured 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 is less than 3.5 to 1.0 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom) as if the additional Indebtedness had been incurred and the application of proceeds therefrom had occurred at the beginning of such four-quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "**Permitted Debt**"):

(1) the incurrence by the Issuer and any Guarantor of (a) Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1)(a) not to exceed €100.0 million, *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1)(a) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing and (b) Indebtedness under Permitted L/C Facilities;

(2) Indebtedness (other than Indebtedness described in clauses (1), (3), (6) and (7) of this definition of Permitted Debt) of the Issuer or any Restricted Subsidiary outstanding on the Completion Date after giving effect to the Transactions (as described under the section of this offering memorandum entitled "*The Transactions*"), including the Senior Notes Proceeds Loan and the Guarantees of the Senior Notes issued on the Issue Date;

(3) the incurrence by the Issuer and the Guarantors of Indebtedness represented by the Senior Secured Notes and the related Notes Guarantees to be issued on the Issue Date and any related "parallel debt" obligations created in favor of the Security Agent under the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents;

(4) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property (real or personal), plant or equipment (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets) used in the business of the Issuer or any Restricted Subsidiary, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed €25.0 million at any time outstanding;

(5) the incurrence by the Issuer or any Restricted Subsidiary of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Senior Secured Notes Indenture to be incurred under the first paragraph of this covenant or clauses (2), (3), (5) or (14) of this paragraph;

(6) the incurrence by the Issuer or any Restricted Subsidiary of intercompany Indebtedness between or among the Issuer and any such Restricted Subsidiary and any other Restricted Subsidiary; *provided* that:

   (a) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Senior Secured Notes, in the case of the Issuer, or the Notes Guarantee, in the case of a Guarantor; and

(b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any Restricted Subsidiary to the Issuer or to any Restricted Subsidiary of preferred stock; *provided* that:

(a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Issuer or any Restricted Subsidiary; and

(b) any sale or other transfer of any such preferred stock to a Person that is not either the Issuer or a Restricted Subsidiary, will be deemed, in the case of each of clauses (a) and (b), to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence by the Issuer or any Restricted Subsidiary of Hedging Obligations in the ordinary course of business and not for speculative purposes;

(9) the Guarantee by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Senior Secured Notes or a Notes Guarantee, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(10) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness in respect of (i) workers' compensation claims, bonus and company pension schemes, self-insurance obligations, bankers' acceptances, customs, VAT and other tax guarantees, in each case incurred in the ordinary course of business and not in connection with the borrowing of money and (ii) any customary cash management, cash pooling or netting or setting-off arrangements incurred in the ordinary course of business;

(11) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within 30 Business Days;

(12) the incurrence by the Issuer and the Restricted Subsidiaries of Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Equity Interests of a Subsidiary, *provided* that the maximum liability of the Issuer and the 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 the Restricted Subsidiaries in connection with such disposition;

(13) Indebtedness of the Issuer or any Restricted Subsidiary in respect of Management Advances;

(14) Indebtedness of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary (other than Indebtedness incurred to provide all or any portion of the funds used 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 any Restricted Subsidiary); *provided*, *however*, with respect to this clause (14), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred (x) the Issuer would have been able to incur €1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of this covenant after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (14) or (y) the Fixed Charge Coverage Ratio of the Issuer would not be less than it was immediately prior to giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (14);

(15) Indebtedness of the Issuer or any Restricted Subsidiary in connection with any Qualified Receivables Transaction; and

(16) the incurrence by the Issuer or any Restricted Subsidiary of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, not to exceed €50.0 million.

Notwithstanding the foregoing, Restricted Subsidiaries that are not Guarantors may not incur Indebtedness or issue Disqualified Stock or preferred stock pursuant to the first paragraph of this covenant or under clauses (1), (4), (5), (8) or (16) of the definition of Permitted Debt if, after giving *pro forma* effect to such incurrence or issuance (including a *pro forma* application of the net proceeds therefrom), the aggregate amount of Indebtedness and Disqualified Stock and preferred stock of Restricted Subsidiaries that are not Guarantors incurred or issued under the first paragraph or this covenant and pursuant to clauses (1), (4), (5), (8) and (16) of the definition of Permitted Debt, collectively, would exceed €35.0 million.

For purposes of determining compliance with this "*Incurrence of Indebtedness and issuance of preferred stock*" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (16) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Issuer will be permitted to classify such item of Indebtedness on the date of its incurrence or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant; *provided*, *however*, that Indebtedness incurred under clause (1) of the definition of Permitted Debt may not be reclassified.

The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in Fixed Charges of the Issuer as accrued.

For purposes of determining compliance with any euro-denominated restriction on the incurrence of Indebtedness, the euro-equivalent principal amount of Indebtedness denominated in a different currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness incurred under a revolving credit facility; *provided*, *however*, that (i) if such Indebtedness denominated in non-euro currency is subject to a Currency Exchange Protection Agreement with respect to euro, the amount of such Indebtedness expressed in euro will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the euro-equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date. The principal amount of any refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the euro-equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness incurred under a revolving credit facility, except that:

(1) if such euro-equivalent was determined based on a Currency Exchange Protection Agreement, the Refinancing Indebtedness will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and

(2) if the principal amount of the refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, the euro-equivalent of such excess will be determined on the date such refinancing Indebtedness is being incurred.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

(2) in the case of Indebtedness incurred pursuant to clause (1)(b) of the definition of Permitted Debt, the aggregate amount of drawings under Permitted L/C Facilities as of such date that are due to be but have not been reimbursed, less the amount of Trade L/C Obligations outstanding as of such date under such Permitted L/C Facilities; and

(3) the principal amount of the Indebtedness, in the case of any other Indebtedness.

Restricted payments

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any Restricted Subsidiary's Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any Restricted Subsidiary) or to the direct or indirect holders of the Issuer's or any Restricted Subsidiary's Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Issuer and other than dividends or distributions payable to the Issuer or any Restricted Subsidiary);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer or any Parent Entity;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuer or any Guarantor that is contractually subordinated in right of payment to the Senior Secured Notes or to any Notes Guarantee (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries or among Restricted Subsidiaries of the Issuer), except (i) a payment of interest or principal at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition or retirement of Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Senior Secured Notes or to any Notes Guarantee purchased in anticipation of satisfying a scheduled sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition or retirement;

(4) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire for value any Subordinated Shareholder Debt; or

(5) make any Restricted Investment,

(all such payments and other actions set forth in clauses (1) through (5) above being collectively referred to as "**Restricted Payments**"), unless, at the time of any such Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(b) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least €1.00 of additional Indebtedness pursuant to the first paragraph of the covenant described under the caption "*—Incurrence of Indebtedness and issuance of preferred stock*"; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and the Restricted Subsidiaries since the Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (5), (6), (7), (8), (10), (11), (12), (13), (14), (15), (17) and (20) of the next succeeding paragraph), is less than the sum, without duplication, of:

(i) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from the first day of the fiscal quarter commencing immediately prior to the Issue Date to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(ii) 100% of the aggregate net cash proceeds and the Fair Market Value of marketable securities received by the Issuer since the Completion Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Issuer (other than Disqualified Stock and Excluded Contributions) or from the issue or sale of convertible or exchangeable Disqualified Stock of the Issuer or convertible or exchangeable debt securities of the Issuer, in each case that have been converted into or exchanged for Equity Interests of the Issuer (other than Equity Interests and convertible or exchangeable Disqualified Stock or debt securities sold to a Subsidiary of the Issuer) or from the issuance or sale of Subordinated Shareholder Debt (other than an issuance or sale to a Restricted Subsidiary); *plus*

(iii) to the extent that any Restricted Investment that was made after the Issue Date is (a) sold, disposed of or otherwise cancelled, liquidated or repaid, 100% of the aggregate amount received in cash and the Fair Market Value of the property and marketable securities received by the Issuer or any Restricted Subsidiary (other than from a Person that is the Issuer or a Restricted Subsidiary), or (b) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Issuer and the Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*

(iv) to the extent that any Unrestricted Subsidiary designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged or consolidated into the Issuer or a Restricted Subsidiary, or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, the Fair Market Value of the property received by the Issuer or Restricted Subsidiary or the Issuer's Restricted Investment in such Subsidiary as of the date of such redesignation, merger, consolidation or transfer of assets, to the extent such Investments reduced the Restricted Payments capacity under this clause (c) and were not previously repaid or otherwise reduced; *plus*

(v) upon the full and unconditional release of a Restricted Investment that is a Guarantee made by the Issuer or a Restricted Subsidiary to any Person after the Issue Date, an amount equal to the amount of such Guarantee; *plus*

(vi) 100% of any cash dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Issuer for such period,

provided, that upon a Specified Change of Control Event, all amounts calculated pursuant to this clause (c) shall be reset at zero and all references to the Issue Date or the Completion Date in this clause (c) shall thereafter refer to the date of such Specified Change of Control Event.

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Senior Secured Notes Indenture;

(2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Equity Interests of the Issuer (other than Disqualified Stock), Subordinated Shareholder Debt or from the substantially concurrent contribution of common equity capital to the Issuer; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from the calculation of amounts under clause (c)(ii) of the preceding paragraph, shall not constitute Excluded Contributions and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "Optional Redemption" provisions of the Senior Secured Notes Indenture;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Senior Secured Notes or to any Notes Guarantee with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(4) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Issuer or any Restricted Subsidiary held by any current or former officer, director or employee of the Issuer or any Restricted Subsidiary pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement, employment agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed €3.0 million in any calendar year; *provided further*, that such amount in any calendar year may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of the Issuer or a Restricted Subsidiary received by the Issuer or a Restricted Subsidiary during such calendar year, in each case to members of management or directors of the Issuer, any Restricted Subsidiary or any of its direct or indirect parent companies to the extent the cash proceeds from the sale of Equity Interests have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clause (2) of this paragraph;

(5) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(6) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or any preferred stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant described under the caption "*—Certain covenants—Incurrence of Indebtedness and issuance of preferred stock*";

(7) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any Restricted Subsidiary to allow the payment of cash in lieu of the issuance of fractional shares upon (a) the exercise of options or warrants or (b) the conversion or exchange of Capital Stock of any such Person;

(8) payments pursuant to any tax sharing agreement or arrangement among the Issuer and its Subsidiaries and other Persons with which the Issuer or any of its Subsidiaries is required or permitted to file a consolidated tax return or with which the Issuer or any Restricted Subsidiary is a part of a consolidated group for tax purposes or for any tax advantageous group contribution made pursuant to applicable legislation; *provided*, *however*, that such payments will not exceed the amount of tax that the Issuer and its Restricted Subsidiaries would owe on a standalone basis and the related tax liabilities of the Issuer and its Restricted Subsidiaries are relieved thereby;

(9) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent Entity to pay, dividends on the common stock or common equity interests of the Issuer or any Parent Entity following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (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 through an Excluded Contribution) of the Issuer or contributed as Subordinated Shareholder Debt to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 3.25 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (ii) after giving *pro forma* effect to such loans, advances, dividends and distributions, the Consolidated Leverage Ratio shall be equal to or less than 3.75 to 1.0;

(10) advances or loans to (a) any future, present or former officer, director or employee of the Issuer or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Issuer (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 Equity Interests of the Issuer (other than Disqualified Stock); *provided* that the total aggregate amount of Restricted Payments made under this clause (10) does not exceed €5.0 million in any calendar year;

(11) 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 Equity Interests (other than the Issuer or a Restricted Subsidiary) on no more than a *pro rata* basis;

(12) so long as no Default or Event of Default has occurred and is continuing, the payment of Management Fees;

(13) Permitted Parent Payments;

(14) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Guarantor that is subordinated in right of payment to the Senior Secured Notes or any Notes Guarantee (other than any Indebtedness so subordinated and held by Affiliates of the Issuer) upon a Change of Control or Asset Sale to the extent required by the agreements governing such Indebtedness at a purchase price not greater than 101% of the principal amount of such Indebtedness, in the case of a Change of Control, and 100%, in the case of an Asset Sale, but only if the Issuer has complied with its obligations under the covenants described under "*Repurchase at the option of holders—Change of Control*" and "*Repurchase at the option of holders—Asset Sales*" and the Issuer repurchased all Senior Secured Notes tendered pursuant to the offer required by such covenants prior to offering to purchase, purchasing or repaying such Indebtedness;

(15) Restricted Payments that are made with Excluded Contributions;

(16) the payment of any fees and purchases of Receivables and related assets in connection with a Qualified Receivables Transaction;

(17) dividends or other distributions to the Senior Notes Issuer for the payment of regularly scheduled interest as such amounts come due under the Senior Notes;

(18) so long as no Default or Event of Default has occurred and is continuing, (i) dividends, distributions, loans or other payments to any Parent Entity in an aggregate amount not to exceed €50.0 million since the Issue Date; *provided* that, on the date of any such dividend, distribution, loan or other payment, the Consolidated Leverage Ratio does not exceed 3.25 to 1.0 on a *pro forma* basis after giving effect thereto, and (ii) any dividends, distributions, loans or other payments to any Parent Entity; *provided* that, on the date of any such dividend, distribution, loan or other payment, the Consolidated Leverage Ratio does not exceed 3.0 to 1.0 on a *pro forma* basis after giving effect thereto;

(19) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed €20.0 million since the Issue Date; or

(20) payment of the Completion Date Distribution.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the assets or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

Anti-layering

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 Senior Secured Notes and the applicable Notes Guarantee on substantially identical terms; *provided*, *however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured 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 under Credit Facilities or as set forth in the Intercreditor Agreement.

Liens

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien securing Indebtedness or Trade L/C Obligations on any of its property or assets (including Capital Stock of any other Person), whether owned on the date of the Senior Secured Notes Indenture or thereafter acquired, except (1) in the case of any property or asset that does not constitute Collateral, (a) Permitted Liens or (b) Liens that are not Permitted Liens, to the extent that all payments due under the Senior Secured Notes Indenture, the Senior Secured Notes and the Notes Guarantees are secured on an equal and ratable *pari passu* basis with the obligations so secured (and if such obligations so secured are subordinated in right of payment to either the Senior Secured Notes or any Notes Guarantee, on a senior priority basis) until such time as such obligations are no longer secured by a Lien and (2) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Senior Secured Notes or any Notes Guarantee pursuant to the preceding clause (1)(b) will be automatically and unconditionally released and discharged upon (i) the release and discharge of the initial Lien to which it relates or (ii) as otherwise provided under "*—Security—Release*".

Dividend and other payment restrictions affecting Restricted Subsidiaries

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any Restricted Subsidiary;

(2) make loans or advances to the Issuer or any Restricted Subsidiary; or

(3) sell, lease or transfer any of its properties or assets to the Issuer or any Restricted Subsidiary,

provided, however, 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 period to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness incurred by the Issuer or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Indebtedness (including the Revolving Credit Facility Agreement and the Guarantee Facility Agreement) as in effect on the Issue Date, in the case of the Issue Date Guarantors, or the Completion Date, in the case of the HX Group, and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date or the Completion Date, as applicable;

(2) the Senior Secured Notes Indenture, the Senior Secured Notes, the Notes Guarantees, the Intercreditor Agreement, the Security Documents and any Additional Intercreditor Agreement;

(3) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Incurrence of Indebtedness and issuance of preferred stock*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the holders of the Senior Secured Notes than (i) the encumbrances and restrictions, taken as a whole, contained in the Senior Secured Notes Indenture, the Senior Secured Notes, the Notes Guarantees and the Intercreditor Agreement, in each case as in effect on the Issue Date, and any Additional Intercreditor Agreement (as determined in good faith by the Issuer) and (ii) is customary in comparable financings (as determined in good faith by the Issuer);

(4) applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit;

(5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Issuer or any Restricted Subsidiary as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Senior Secured Notes Indenture to be incurred;

(6) customary non-assignment and similar provisions in contracts, leases and licenses entered into in the ordinary course of business;

(7) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased;

(8) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(10) Liens permitted to be incurred under the provisions of the covenant described above under the caption "*—Liens*" that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) customary provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements in the ordinary course of business (including agreements entered into in connection with a Restricted Investment), which limitation is applicable only to the assets that are the subject of such agreements;

(12) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business;

(13) any mortgage financing or mortgage refinancing that imposes restrictions on the real property securing such Indebtedness;

(14) any encumbrance or restriction effected in connection with a Qualified Receivables Transaction; and

(15) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (14), or in this clause (15); *provided* that the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced.

Merger, consolidation or sale of assets

The Issuer

The Issuer will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer is the surviving corporation) or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) the Issuer is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance or other disposition has been made is an entity organized or existing under the laws of any member state of the Pre-Expansion European Union, Switzerland, Canada, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition has been made assumes all the obligations of the Issuer under the Senior Secured Notes, the Senior Secured Notes Indenture, the Intercreditor Agreement and the Security Documents to which the Issuer is a party;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Issuer or, in case of a consolidation or merger or sale, assignment, transfer, conveyance or other disposition by the Issuer, the Person formed by or surviving any such consolidation or merger (if other than the Issuer), or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, (i) would be permitted to incur at least €1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of the covenant described above under the caption "*—Incurrence of Indebtedness and issuance of preferred stock*" or (ii) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and

(5) the Issuer delivers to the Trustee an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant and that the Senior Secured Notes, the supplemental indenture and the Senior Secured Note Indenture constitute legal, valid and binding obligations of the Issuer or, as the case may be, the surviving entity; *provided* that in giving an opinion of counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to the satisfaction of clauses (3) and (4) above.

Guarantors

A Guarantor may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than another Guarantor or the Issuer, unless either (a) (i) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of that Guarantor under its Notes Guarantee, the Senior Secured Notes Indenture, the Intercreditor Agreement, the Security Documents and, if applicable, any Senior Secured Notes Proceeds Loan Agreement to which such Guarantor is a party pursuant to a supplemental indenture and appropriate Security Documents reasonably satisfactory to the Trustee and (ii) immediately after giving effect to that transaction, no Default or Event of Default exists; or (b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Senior Secured Notes Indenture.

General

Neither the Issuer nor any Guarantor will, directly or indirectly, lease all or substantially all of the properties and assets of it and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to any other Person.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties or assets of one or more Subsidiaries of the Issuer or a Guarantor, which properties and assets, if held by the Issuer or such Guarantor, as applicable, instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer or such Guarantor, as applicable, on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer or such Guarantor, as applicable.

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the properties or assets of the Issuer or a Guarantor in a transaction that is subject to, and that complies with the provisions of this covenant, the successor Person formed by such consolidation or into or with which the Issuer or such Guarantor, as the case may be, is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the provisions of the Senior Secured Notes Indenture referring to the Issuer or such Guarantor, as the case may be, shall refer instead to the successor Person and not to the Issuer or such Guarantor, as the case may be), and may exercise every right and power of the predecessor Issuer or Guarantor, as the case may be, under the Senior Secured Notes Indenture with the same effect as if such successor Person had been named as the Issuer or such Guarantor, as the case may be, therein; *provided* that the relevant predecessor Issuer or Guarantor, as the case may be, shall not be relieved from the obligation to pay the principal, interest or Additional Amounts on the Senior Secured Notes except in the case of a sale of all of the Issuer's or such Guarantor's, as the case may be, assets in a transaction that is subject to, and that complies with the provisions of, this covenant.

Clauses (3) and (4) of the first paragraph of this covenant will not apply to any sale or other disposition of all or substantially all of the assets or merger or consolidation of any Restricted Subsidiary with or into the Issuer and clause (4) of the first paragraph of this covenant will not apply to any sale or other disposition of all or substantially all of the assets or merger or consolidation of the Issuer with or into an Affiliate solely for the purpose of reincorporating the Issuer in another jurisdiction for tax reasons.

Transactions with Affiliates

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Issuer (each, an "**Affiliate Transaction**"), involving aggregate payments or consideration in excess of €5.0 million, unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person on an arm's length basis; and

(2) the Issuer delivers to the Trustee:

   (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €15.0 million, a resolution of the Board of Directors of the Issuer set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Issuer; and, in addition,

   (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €25.0 million, an opinion of an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is (i) fair from a financial point of view taking into account all relevant circumstances or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, collective bargaining agreement, consultant, employee benefit arrangements with any employee, officer or director of the Issuer or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business;

(2) transactions between or among (i) the Issuer and/or the Restricted Subsidiaries and (ii) any Person who is an Affiliate solely because a director of which is also a director of the Issuer or any direct or indirect parent of the Issuer; *provided* that such director abstains from voting as a director of the Issuer or such direct or indirect parent, as the case may be, on any matter involving such other Person;

(3) transactions in the ordinary course of business with a Person (other than an Unrestricted Subsidiary of the Issuer) that is an Affiliate of the Issuer solely because the Issuer owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors or employees of the Issuer or any Restricted Subsidiary;

(5) any issuance of Equity Interests (other than Disqualified Stock) of the Issuer to Affiliates of the Issuer;

(6) any Investment (other than a Permitted Investment) or other Restricted Payment, in either case, that does not violate the provisions of the Senior Secured Notes Indenture described above under the caption "*—Restricted Payments*";

(7) Management Advances and the payment of any Management Fees;

(8) any Permitted Investments (other than Permitted Investments described in clauses (3) and (16) of the definition thereof);

(9) the incurrence of any Subordinated Shareholder Debt;

(10) transactions pursuant to, or contemplated by any agreement in effect on the Issue Date and transactions pursuant to any amendment, modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not more disadvantageous to the holders of the Senior Secured Notes than the original agreement as in effect on the Issue Date;

(11) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services or providers of employees or other labor, in each case in the ordinary course of business and otherwise in compliance with the terms of the Senior Secured Notes Indenture that are fair to the Issuer or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Issuer or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person;

(12) any payments or other transactions pursuant to a tax sharing agreement between the Issuer and any other Person or a Restricted Subsidiary and any other Person with which the Issuer or any Restricted Subsidiary files a consolidated tax return or with which the Issuer or any Restricted Subsidiary is part of a group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation; *provided*, *however*, that any such tax sharing or arrangement and payment does not permit or require payments in excess of the amounts of tax that would be payable by the Issuer and the Restricted Subsidiaries on a stand-alone basis;

(13) any transaction effected as part of a Qualified Receivables Transaction; and

(14) pledges of Equity Interests of an Unrestricted Subsidiary to secure Indebtedness of such Unrestricted Subsidiary.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Issuer may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Issuer and the Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption "*—Restricted Payments*" or under one or more clauses of the definition of Permitted Investments, as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary if that designation would not cause a Default. Any designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption *"—Restricted Payments"*. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Senior Secured Notes Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption *"—Incurrence of Indebtedness and issuance of preferred stock*", the Issuer will be in default of such covenant.

The Board of Directors of the Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption *"—Incurrence of Indebtedness and issuance of preferred stock*", calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period, and (2) no Default or Event of Default would be in existence following such designation.

Maintenance of listing

The Issuer will use its commercially reasonable efforts to maintain the listing of the Senior Secured Notes on the Official List of the Luxembourg Stock Exchange and the admission to trading of the Senior Secured Notes on the Euro MTF Market for so long as such Senior Secured Notes are outstanding; *provided* that if at any time the Issuer determines that it is unable to list or it will not maintain such listing, it will obtain prior to the delisting of the Senior Secured Notes from the Official List of the Luxembourg Stock Exchange and withdrawal from trading of the Senior Secured Notes on the Euro MTF Market, and thereafter use its commercially reasonable efforts to maintain, a listing of such Senior Secured Notes on another internationally recognized stock exchange or exchange regulated market in western Europe.

Additional Guarantees

Within 90 days (or 45 days in the case of entities incorporated in Germany) after the Completion Date, the Issuer will cause each HX Guarantor to execute and deliver a supplemental indenture providing for the Notes Guarantee of such HX Guarantor.

Subject to the Agreed Security Principles, the Issuer will not cause or permit any Restricted Subsidiary that is not a Guarantor, directly or indirectly, to guarantee the payment of, assume or in any manner become liable with respect to any other Indebtedness of the Issuer or any Guarantor unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the Notes Guarantee of such Restricted Subsidiary, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness.

Simultaneously with the execution of any supplemental indenture referred to in the two preceding paragraphs, subject to the Agreed Security Principles, the Issuer will cause all of the Capital Stock in such Restricted Subsidiary owned by the Issuer and the Restricted Subsidiaries to be pledged to secure the Senior Secured Notes and the Notes Guarantees.

Each additional Notes Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

The second paragraph of this covenant will not be applicable to any Guarantees of any Restricted Subsidiary given to a bank or trust company having combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating, at the time such guarantee was given, of at least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody's, in connection with the operation of cash management programs established in the ordinary course of business for the benefit of the Issuer or any of the Restricted Subsidiaries.

Notwithstanding the foregoing, the Issuer shall not be obligated to cause such Restricted Subsidiary to guarantee the Senior Secured Notes to the extent that such Guarantee by such Restricted Subsidiary would reasonably be expected to give rise to or result in a violation of applicable law or any liability for the officers, directors or shareholders of such Restricted Subsidiary that, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Issuer or the Restricted Subsidiary.

Payments for consent

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Senior Secured Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Senior Secured Notes Indenture or the Senior Secured Notes unless such consideration is offered to be paid and is paid to all holders of the Senior Secured Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and the Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Senior Secured Notes Indenture, to exclude holders of Senior Secured Notes in any jurisdiction where (A) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or the payment of the consideration therefor, would require the Issuer or any Restricted Subsidiary to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Issuer in its sole discretion determines (acting in good faith) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent documents used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Lines of business

The Issuer will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Permitted Business, except to such extent as would not be material to the Issuer and the Restricted Subsidiaries, taken as a whole.

Limitation on permitted activities

The Issuer will not:

(1) engage in any business activity or undertake any other activity, except (i) any activity relating or incidental to the offering, sale, issuance and servicing, purchase, redemption, refinancing or retirement of the Senior Secured Notes, Indebtedness or liabilities under the Revolving Credit Facility Agreement, the Guarantee Facility Agreement or the Senior Notes Indenture or the incurrence of other Indebtedness permitted by the terms of the Senior Secured Notes Indenture and distributing, lending or otherwise advancing funds to any of its Restricted Subsidiaries, (ii) any activity undertaken with the purpose of fulfilling any other obligations under the Senior Secured Notes, the Revolving Credit Facility Agreement, the Guarantee Facility Agreement, its Guarantee of the Senior Notes, other Indebtedness permitted by the terms of the Senior Secured Notes Indenture, any Security Document to which it is a party, any security documents securing obligations under the Senior Notes, the Revolving Credit Facility Agreement, the

Guarantee Facility Agreement or the Intercreditor Agreement to which it is a party, the Intercreditor Agreement or any Additional Intercreditor Agreement and (iii) other activities not specifically enumerated above that are *de minimis* in nature; or

(2) own, lease, manage or otherwise operate any properties or assets other than cash and Cash Equivalents, shares of Capital Stock of Galapagos BidCo or Indebtedness owing by its direct or indirect Subsidiaries (including Subsidiaries to be incorporated or acquired, directly or indirectly, after the Issue Date), properties and assets related to administrative employees and functions incidental to its existence or properties and assets related to the business or operations set forth in clause (1) of this paragraph.

Impairment of security interest

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, take or knowingly or negligently omit to take, any action which action or omission might or would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Liens on the Collateral permitted by the definition of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the holders of the Senior Secured Notes, and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the holders of the Senior Secured Notes and the other beneficiaries described in the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral; *provided* that (a) nothing in this provision shall restrict the discharge or release of the Collateral in accordance with the Senior Secured Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement and (b) the Issuer and the Restricted Subsidiaries may incur Permitted Collateral Liens; *provided further*, that no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified, replaced or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), unless contemporaneously with such amendment, extension, replacement, restatement, supplement, modification, renewal or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Issuer delivers to the Trustee either (1) a solvency opinion from an internationally recognized investment bank or accounting firm, in form and substance reasonably satisfactory to the Trustee, confirming the solvency of the Issuer and its Restricted Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking, (2) a certificate from the Board of Directors or chief financial officer of the relevant Person, which certificate confirms the solvency of the Person granting such security interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking, the Lien or Liens securing the Senior Secured Notes created under the Security Documents so amended, extended, renewed, restated, supplemented, modified, replaced or release and retaking are valid and perfected 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, modification, replacement or release and retaking.

At the direction of the Issuer and without the consent of the holders of Senior Secured Notes, the Security Agent may from time to time enter into one or more amendments to the Security Documents (or enter into additional or supplemental security documents) to: (i) cure any ambiguity, omission, defect or inconsistency therein, (ii) subject to compliance with the preceding paragraph, provide for Permitted Collateral Liens, (iii) add to the Collateral or (iv) make any other change thereto that does not, in the opinion of the Trustee, adversely affect the rights of the holders of the Senior Secured Notes in any material respect.

In the event that the Issuer complies with this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification, replacement or release with no need for instructions from holders of the Senior Secured Notes.

Collateral

The Issuer will, and will procure that each Restricted Subsidiary will, at its respective own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (i) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents and (ii) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. The Issuer will, and will procure that each Restricted Subsidiary will, execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

Additional Intercreditor Agreements

At the request of the Issuer and upon delivery of an Officer's Certificate and an opinion of counsel to the Trustee, without the consent of holders of the Senior Secured Notes, and at the time of, or prior to, the incurrence by the Issuer or a Guarantor of Indebtedness permitted pursuant to (a) the first paragraph of the covenant described under "*—Incurrence of Indebtedness and issuance of preferred stock*" or clause (1) or (8) of the definition of Permitted Debt and (b) any Permitted Refinancing

Indebtedness in respect of Indebtedness referred to in the foregoing clause (a), the Issuer, the relevant Guarantor, 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**") on substantially the same terms as the Intercreditor Agreement, including terms with respect to the limitation on enforcement and release of guarantees and priority as set forth in the Intercreditor Agreement (or on terms more favorable to the holders of the Senior Secured Notes); *provided*, that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent under the Senior Secured Notes Indenture or the Intercreditor Agreement.

At the request of the Issuer, without the consent of holders of the Senior Secured Notes, and at the time of, or prior to, the incurrence by the Issuer or a Guarantor of Indebtedness permitted to be incurred pursuant to the preceding paragraph, the Issuer or the relevant Guarantor and the Trustee shall enter into one or more amendments to any Intercreditor Agreement or Additional Intercreditor Agreement to: (1) cure defects, resolve ambiguities or reflect changes, in each case, of a minor, technical or administrative nature; (2) increase the amount or types of Indebtedness covered by any Intercreditor Agreement or Additional Intercreditor Agreement that may be incurred by the Issuer or a Guarantor that is subject to any Intercreditor Agreement or Additional Intercreditor Agreement (provided that such amendment is consistent with the preceding paragraph); (3) add new Guarantors to the Intercreditor Agreement or an Additional Intercreditor Agreement; (4) further secure the Senior Secured Notes; (5) make provision for the security securing Additional Senior Secured Notes to rank *pari passu* with the Collateral; or (6) make any other change to any such Intercreditor Agreement or an Additional Intercreditor Agreement that does not adversely affect the rights of holders of the Senior Secured Notes in any material respect.

Except as provided in the previous paragraph, the Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to the Intercreditor Agreement or any Additional Intercreditor Agreement without the consent of the holders of the majority in aggregate principal amount of the Senior Secured Notes then outstanding, except as otherwise permitted by the provisions described under "*—Amendment, supplement and waiver*" 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 the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent under the Senior Secured Notes Indenture, the Intercreditor Agreement or such Additional Intercreditor Agreement.

In relation to the Intercreditor Agreement or, to the extent applicable, an Additional Intercreditor Agreement, the Trustee shall be deemed to have consented on behalf of the holders of the Senior Secured Notes to any payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Secured Notes thereby; *provided* that such transaction would comply with the covenant described under "*—Restricted Payments*".

Each holder of the Senior Secured Notes will 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 consented to and directed the Trustee and the Security Agent to enter into any Additional Intercreditor Agreement or any amendment of the Intercreditor Agreement or any Additional Intercreditor Agreement which complies with the foregoing provisions and the conditions contained therein.

Suspension of covenants when Notes rated Investment Grade

During any period of time that (i) the Senior Secured Notes have received an Investment Grade Rating from both Rating Agencies and (ii) no Default has occurred and is continuing under the Senior Secured Notes Indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "**Covenant Suspension Event**" and the date thereof being referred to as the "**Suspension Date**") then, the covenants specifically listed under the following captions in this "*Description of the Senior Secured Notes*" section of this offering memorandum will not be applicable to the Senior Secured Notes (collectively, the "**Suspended Covenants**"):

(1) "*Repurchase at the option of holders—Asset Sales*";

(2) "*—Incurrence of Indebtedness and issuance of preferred stock*";

(3) "*—Restricted Payments*";

(4) "*—Dividend and other payment restrictions affecting Restricted Subsidiaries*";

(5) clause (4) of the first paragraph of "*—Merger, consolidation or sale of assets*";

(6) "*—Transactions with Affiliates*";

(7) "*—Additional Guarantees*"; and

(8) "*—Lines of business*".

If and while the Issuer and the Restricted Subsidiaries are not subject to the Suspended Covenants, the Senior Secured Notes will be entitled to substantially less covenant protection. In the event that the Issuer and the Restricted Subsidiaries are not subject to the Suspended Covenants under the Senior Secured Notes Indenture for any period of time as a result of the foregoing, and on any subsequent date (the "**Reversion Date**") one or both of the Rating Agencies withdraw their Investment Grade Rating or downgrade the rating assigned to the Senior Secured Notes below an Investment Grade Rating, then the Issuer and the Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Senior Secured Notes Indenture with respect to future events. The period of time between the Suspension Date and the Reversion Date is referred to in this Description of the Senior Secured Notes as the "**Suspension Period**". Upon the occurrence of a Covenant Suspension Event, the amount of Excess Proceeds from Net Proceeds shall be reset to zero.

During any Suspension Period, neither the Issuer nor any Restricted Subsidiary may designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to definition of Unrestricted Subsidiary.

Notwithstanding the foregoing, in the event of any such reinstatement, no action taken or omitted to be taken by the Issuer or any Restricted Subsidiary prior to the Reversion Date will give rise to a Default or Event of Default under the Senior Secured Notes Indenture with respect to the Senior Secured Notes; *provided* that (i) with respect to Restricted Payments made on or after the Reversion Date, the amount available to be made as Restricted Payments will be calculated as though the covenant described under "*—Restricted Payments*" had been in effect prior to, but not during, the Suspension Period; (ii) all Indebtedness incurred, or Disqualified Stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (2) of the definition of Permitted Debt; (iii) any transactions with Affiliates entered into on or after the Reversion Date pursuant to an agreement entered into during any Suspension Period shall be deemed to be permitted pursuant to clause (10) of the second paragraph of the covenant described under "*—Transactions with Affiliates*"; (iv) any encumbrance or restriction on the ability of any Restricted Subsidiary that is not a Guarantor to take any action described in clauses (1) through (3) of the first paragraph of the covenant described under "*—Dividend and other payment restrictions affecting Restricted Subsidiaries*" that becomes effective during any Suspension Period shall be deemed to be permitted pursuant to clause (1) of the second paragraph of the covenant described under "*—Dividend and other payment restrictions affecting Restricted Subsidiaries*"; and (v) no Restricted Subsidiary shall be required to comply with the covenant described under "*—Additional Guarantees*" on or after the Reversion Date with respect to any Guarantee entered into by such Restricted Subsidiary during any Suspension Period.

The Issuer will notify the Trustee that the two conditions set forth in the first paragraph under this heading have been satisfied, but such notification will not be a condition for the suspension of the covenants set forth above to be effective.

There can be no assurance that the Senior Secured Notes will achieve or maintain an Investment Grade Rating.

Reports

For so long as any Senior Secured Notes are outstanding, the Issuer will furnish to the Trustee the following reports in electronic form:

(1) within 120 days (or, if the Completion Date occurs after December 31, 2014, in the case of the fiscal year ending December 31, 2014, 150 days) after the end of the Senior Notes Issuer's fiscal year beginning with the fiscal year ending December 31, 2014, annual reports containing the following information with a level of detail that is substantially comparable in all material respects to this offering memorandum: (a) audited consolidated balance sheet of the Senior Notes Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Senior Notes Issuer for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Senior Notes Issuer, together with explanatory footnotes, for any material acquisitions or dispositions (including, without limitation, any acquisitions or dispositions that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the consolidated revenues, EBITDA, or assets of the Senior Notes Issuer on a *pro forma* basis) or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, in each case unless *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations (including a discussion by business segment, *provided* that such discussion may include less detail than the discussion by business segment included in this offering memorandum), financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the Senior Notes Issuer, all material affiliate transactions, Indebtedness and material financing arrangements and a description of all material contractual arrangements, including material debt instruments; and (e) material risk factors and material recent developments;

(2) within 60 days (or 90 days in the case of the fiscal quarter ending immediately after the Completion Date) following the end of each of the first three fiscal quarters in each fiscal year of the Senior Notes Issuer beginning with the fiscal quarter ending June 30, 2014, quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods for the Senior Notes Issuer, together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information of the Senior Notes Issuer, together with explanatory footnotes, for any material acquisitions or dispositions (including, without limitation, any acquisitions or dispositions that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates, represent greater than 20% of the consolidated revenues, EBITDA or assets of the Senior Notes Issuer on a *pro forma* basis) or recapitalizations that

have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates, unless *pro forma* information has been provided in a previous report pursuant to clause (1), (2) or (3) of this covenant; (c) an operating and financial review of the unaudited financial statements (including a discussion by business segment, *provided* that such discussion may include less detail than the discussion by business segment included in this offering memorandum), including a discussion of the consolidated financial condition and results of operations of the Senior Notes Issuer and any material change between the current quarterly period and the corresponding period of the prior year; (d) material developments in the business of the Senior Notes Issuer and its Subsidiaries; and (e) any material changes to the risk factors disclosed in the most recent annual report with respect to the Senior Notes Issuer; and

(3) promptly after the occurrence of (a) a material acquisition, disposition or restructuring (including any acquisition or disposition that would require the delivery of *pro forma* financial information pursuant to clauses (1) or (2) above); (b) any senior management change at the Senior Notes Issuer; (c) any change in the auditors of the Senior Notes Issuer; (d) the entering into an agreement that will result in a Change of Control; or (e) any material events that the Senior Notes Issuer announces publicly, in each case, a report containing a description of such events,

provided, *however*, that the reports set forth in clauses (1), (2) and (3) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or (ii) include separate financial statements for any Guarantors or non-Guarantor Subsidiaries of the Issuer.

If the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and the Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

All financial statements shall be prepared in accordance with IFRS. Except as provided for above, no report need include separate financial statements for the Senior Notes Issuer or Subsidiaries of the Senior Notes Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this offering memorandum.

In addition, for so long as any Senior Secured Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, the Issuer will furnish to the holders of the Senior Secured Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

So long as any Senior Secured Notes are outstanding, the Issuer will also:

(a) within 10 Business Days after the Issuer has furnished to the Trustee the annual and quarterly reports required by clauses (1) and (2) of the first paragraph of this covenant, hold (or cause the Senior Notes Issuer to hold) a conference call to discuss such reports and the results of operations for the relevant reporting period; and

(b) issue a press release to an internationally recognized wire service no fewer than three Business Days prior to the date of the conference call required by the foregoing clause (a) of this paragraph, announcing the time and date of such conference call and either including all information necessary to access the call or directing holders of the Senior Secured Notes, prospective investors, broker dealers and securities analysts to contact the appropriate person at the Senior Notes Issuer to obtain such information.

The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of the covenant (i) on a website maintained by the Senior Notes Issuer or any of its Affiliates and (ii) if and so long as the Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, at the specified office of the Paying Agent in Luxembourg or to the extent and in the manner required by such rules, post such reports on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Limitation on activities prior to the Completion Date

Prior to the Completion Date, the Issuer will not, and will not permit any Restricted Subsidiary to, engage in any business activities or undertake any other activity, except for activities (i) reasonably relating to the Acquisition, the Senior Secured Notes, the Senior Secured Notes Indenture, the Senior Notes, the Senior Notes Indenture, the Revolving Credit Facility Agreement, the Guarantee Facility Agreement, the Senior Secured Notes Escrow Agreement, the Senior Notes Escrow Agreement, the Security Documents, the security documents securing obligations under the Senior Notes, the Revolving Credit Facility Agreement, the Guarantee Facility Agreement or the Intercreditor Agreement; (ii) undertaken with the purpose of fulfilling any other obligations relating to the Acquisition under the Senior Secured Notes, the Senior Secured Notes Indenture, the Senior Notes, the Senior Notes Indenture, the Revolving Credit Facility Agreement, the Guarantee Facility Agreement, the Senior Secured Notes Escrow Agreement, the Senior Notes Escrow Agreement, the Security Documents or the security documents securing obligations under the Senior Notes, the Revolving Credit Facility Agreement, the Guarantee Facility Agreement or the Intercreditor Agreement; (iii) the establishment of the Issuer and the Issue Date Guarantors; and (iv) other activities not specifically enumerated above that are *de minimis* in nature.

Events of Default and remedies

Each of the following is an "**Event of Default**":

(1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Senior Secured Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Senior Secured Notes;

(3) failure by the Issuer or relevant Guarantor to comply with the provisions described under the caption "*—Certain covenants—Merger, consolidation or sale of assets*";

(4) failure by the Issuer or any Restricted Subsidiary for 60 days after written notice to the Issuer by the Trustee or the holders of at least 25% in aggregate principal amount of the Senior Secured Notes then outstanding voting as a single class to comply with any of the agreements in the Senior Secured Notes Indenture (other than a default in performance, or breach, of a covenant or agreement which is specifically dealt with in clauses (1), (2) or (3) above) or the Senior Secured Notes, the Notes Guarantees, any Security Document or the Intercreditor Agreement (or any Additional Intercreditor Agreement entered into pursuant to the terms of the Intercreditor Agreement or the Senior Secured Notes Indenture);

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any Restricted Subsidiary (or the payment of which is guaranteed by the Issuer or any Restricted Subsidiary), whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default:

(a) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness at the Stated Maturity thereof, prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "**Payment Default**"); or

(b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates €20.0 million or more;

(6) failure by the Issuer or any Restricted Subsidiary to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of €20.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal, waiver or otherwise, shall not have been in effect;

(7) (i) breach by the Issuer or any Restricted Subsidiary of any material representation, warranty or agreement in any Security Document; *provided* that if such breach is curable under each Security Document pursuant to which such breach occurred, such breach has continued uncured for a period of 15 days; (ii) any security interest created by the Security Documents with respect to Collateral having a Fair Market Value in excess of €5.0 million ceases to be in full force and effect (except as permitted by the terms of the Senior Secured Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents), or an assertion by the Issuer or any Restricted Subsidiary that any Collateral having a Fair Market Value in excess of €5.0 million is not subject to a valid, perfected security interest (except as permitted by the terms of the Senior Secured Notes Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement); or (iii) the repudiation by the Issuer or any Restricted Subsidiary of any of its material obligations under any Security Document;

(8) except as permitted by the Senior Secured Notes Indenture, any Notes Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Notes Guarantee; and

(9) certain events of bankruptcy or insolvency described in the Senior Secured Notes Indenture with respect to the Issuer, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default specified in clause (9) of the preceding paragraph, all outstanding Senior Secured Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Senior Secured Notes may, and the Trustee, upon request of such holders, shall, declare all the Senior Secured Notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Senior Secured Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Senior Secured Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest, premium or Additional Amounts, if any.

Subject to the provisions of the Senior Secured Notes Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Senior Secured Notes Indenture at the request or direction of any holders of Senior Secured Notes unless such holders have offered to the Trustee, and it has received, indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except (subject to the provisions described under "*—Amendment, supplement and waiver*") to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of a Senior Secured Note may pursue any remedy with respect to the Senior Secured Notes Indenture or the Senior Secured Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Senior Secured Notes have requested the Trustee to pursue the remedy;

(3) such holders have offered the Trustee, and it has received, security or indemnity satisfactory to the Trustee 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 or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding Senior Secured Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of not less than a majority in aggregate principal amount of the Senior Secured Notes outstanding may, on behalf of the holders of all outstanding Senior Secured Notes, waive any past default under the Senior Secured Notes Indenture and its consequences, except a continuing default in the payment of the principal or premium, if any, any Additional Amounts or interest on any Senior Secured Note held by a non-consenting holder (which may only be waived with the consent of each holder of Senior Secured Notes affected).

The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Senior Secured Notes Indenture.

No personal liability of directors, officers, employees and shareholders

Subject to mandatory applicable laws, no director, officer, employee, incorporator or shareholder of the Issuer or any Guarantor, in its capacity as such, will have any liability for any obligations of the Issuer or the Guarantors under the Senior Secured Notes, the Senior Secured Notes Indenture, the Notes Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Senior Secured Notes by accepting a Senior Secured Note waives and releases all such liability. This waiver and release are part of the consideration for issuance of the Senior Secured Notes. This waiver may not be effective to waive liabilities under applicable securities laws.

Legal Defeasance and Covenant Defeasance

The Issuer may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Senior Secured Notes and all obligations of the Guarantors discharged with respect to their Notes Guarantees ("**Legal Defeasance**") except for:

(1) the rights of holders of outstanding Senior Secured Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Senior Secured Notes when such payments are due from the trust referred to below;

(2) the Issuer's obligations with respect to the Senior Secured Notes concerning issuing temporary Senior Secured Notes, registration of Senior Secured Notes, mutilated, destroyed, lost or stolen Senior Secured Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the Senior Secured Notes Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Senior Secured Notes Indenture ("**Covenant Defeasance**") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Senior Secured Notes. In the event Covenant Defeasance occurs, all Events of Default described under "*—Events of Default and remedies*" (except those relating to payments on the Senior Secured Notes or bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Senior Secured Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Senior Secured Notes, cash in euro, euro-denominated European Government Obligations, or a combination of cash in euro and euro-denominated European Government Obligations in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest (including Additional Amounts and premium, if any) on the outstanding Senior Secured Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Senior Secured Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an opinion reasonably acceptable to the Trustee of U.S. counsel confirming that (a) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Senior Secured Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an opinion reasonably acceptable to the Trustee of U.S. counsel confirming that the holders of the outstanding Senior Secured Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) the Issuer must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of Senior Secured Notes over the other creditors of the Issuer or the Guarantors with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer, the Guarantors or others; and

(5) the Issuer must deliver to the Trustee an Officer's Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, supplement and waiver

Except as provided otherwise in the succeeding paragraphs, the Senior Secured Notes Indenture, the Senior Secured Notes, the Notes Guarantees, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Senior Secured Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes), and any existing Default or Event of Default or compliance with any provision of the Senior Secured Notes Indenture, the Senior Secured Notes, the Notes Guarantees, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Senior Secured Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes).

Unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Senior Secured Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes), an amendment, supplement or waiver may not:

(1) reduce the principal amount of Senior Secured Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Senior Secured Note or alter the provisions with respect to the redemption of the Senior Secured Notes (other than provisions relating to the covenants described above under the caption "*—Repurchase at the option of holders*");

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Senior Secured Note;

(4) impair the right of any holder of Senior Secured Notes to receive payment of principal of and interest on such holder's Senior Secured Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Senior Secured Notes or any Notes Guarantee in respect thereof;

(5) waive a Default or Event of Default in the payment of principal of, or interest, premium or, Additional Amounts, if any, on, the Senior Secured Notes (except a rescission of acceleration of the Senior Secured Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Senior Secured Notes and a waiver of the Payment Default that resulted from such acceleration);

(6) make any Senior Secured Note payable in money other than that stated in the Senior Secured Notes;

(7) make any change in the provisions of the Senior Secured Notes Indenture relating to waivers of past Defaults or the rights of holders of Senior Secured Notes to receive payments of principal of, or interest, premium or Additional Amounts, if any, on, the Senior Secured Notes;

(8) waive a redemption payment with respect to any Senior Secured Note (other than a payment required by one of the covenants described above under the caption "*—Repurchase at the option of holders*");

(9) release any Guarantor from any of its obligations under its Notes Guarantee or the Senior Secured Notes Indenture, except in accordance with the terms of the Senior Secured Notes Indenture and the Intercreditor Agreement;

(10) release all or substantially all of the Liens on the Collateral granted for the benefit of the holders of the Senior Secured Notes, except in accordance with the terms of the Senior Secured Notes Indenture or the relevant Security Document and the Intercreditor Agreement;

(11) change the ranking of the Senior Secured Notes or the Notes Guarantees; or

(12) make any change in the preceding amendment and waiver provisions;

provided , *however*, that if (a) any amendment, supplement, waiver or other modification affects the rights of the holders of the Floating Rate Notes and the rights of the holders of the Fixed Rate Notes, the holders of a majority or 90%, as the case may be, of the aggregate principal amount of the then outstanding Senior Secured Notes shall be required to consent thereto and (b) any amendment, supplement, waiver or other modification affects only the rights of the holders of the Floating Rate Notes or only the rights of the holders of the Fixed Rate Notes, the holders of a majority or 90%, as the case may be, of the aggregate principal amount of the then outstanding Floating Rate Notes or Fixed Rate Notes, as applicable, shall be required to consent thereto (and in such case, the holders of a majority or 90%, as the case may be, of the aggregate principal amount of the then outstanding unaffected series of Senior Secured Notes shall not be required to consent thereto).

Any amendment, supplement or waiver consented to by the holders of at least 90% of the aggregate principal amount of the then outstanding Senior Secured Notes will be binding against any non-consenting holders. Notwithstanding the foregoing and for the avoidance of doubt, it is understood and agreed that (a) any matter described in clause (1), (2), (3), (4), (5), (6), (7) or (8) above that by its terms applies to the Floating Rate Notes shall require the consent of holders of at least 90% of the aggregate principal amount of then outstanding Floating Rate Notes in order for it to be binding on all holders of the Floating Rate Notes and (b) any matter described in clause (1), (2), (3), (4), (5), (6), (7) or (8) above that by its terms applies to the Fixed Rate Notes shall require the consent of holders of at least 90% of the aggregate principal amount of then outstanding Fixed Rate Notes in order for it to be binding on all holders of the Fixed Rate Notes.

Notwithstanding the foregoing, without the consent of any holder of Senior Secured Notes, the Issuer, the Trustee and the Security Agent may amend or supplement the Senior Secured Notes Indenture, the Senior Secured Notes, the Intercreditor Agreement or any Security Document:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Senior Secured Notes in addition to or in place of certificated Senior Secured Notes;

(3) to provide for the assumption of the Issuer's or a Guarantor's obligations to holders of Senior Secured Notes and Notes Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the holders of Senior Secured Notes or that does not adversely affect the legal rights under the Senior Secured Notes Indenture of any such holder in any material respect;

(5) to conform the text of the Senior Secured Notes Indenture, the Senior Secured Notes, the Notes Guarantees, any Security Documents or the Intercreditor Agreement to any provision of this "*Description of the Senior Secured Notes*" to the extent that such provision in this "*Description of the Senior Secured Notes*" was intended to be a verbatim recitation of a provision of the Senior Secured Notes Indenture, the Senior Secured Notes, the Notes Guarantees, the Security Documents, or the Intercreditor Agreement;

(6) to enter into additional or supplemental Security Documents;

(7) to release any Notes Guarantee in accordance with the terms of the Senior Secured Notes Indenture and the Intercreditor Agreement;

(8) to release the Collateral in accordance with the terms of the Senior Secured Notes Indenture, the Intercreditor Agreement and the Security Documents;

(9) to provide for the issuance of Additional Senior Secured Notes in accordance with the limitations set forth in the Senior Secured Notes Indenture as of the Issue Date;

(10) to allow any Guarantor to execute a supplemental indenture and/or a Notes Guarantee with respect to the Senior Secured Notes;

(11) to evidence and provide the acceptance of the appointment of a successor Trustee under the Senior Secured Notes Indenture; or

(12) to add additional parties to the Intercreditor Agreement or any Security Document to the extent permitted hereunder and thereunder.

The consent of the holders of Senior Secured Notes is not necessary under the Senior Secured Notes Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

In connection with its entry into any amendment, supplement or waiver, the Trustee shall be entitled to rely absolutely on such evidence as it deems appropriate, including an opinion of counsel and an Officer's Certificate.

For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg act dated August 10, 1915 on commercial companies, as amended (the "**Luxembourg Companies Act 1915**"), shall not apply in respect of the Senior Secured Notes. Neither any holder of Senior Secured Notes nor the Issuer may initiate proceedings against the Issuer or any holder of Senior Secured Notes (as the case may be) based on article 98 of the Luxembourg Companies Act 1915.

Satisfaction and discharge

The Senior Secured Notes Indenture will be discharged and will cease to be of further effect as to all Senior Secured Notes issued thereunder, when:

(1) either:

(a) all Senior Secured Notes that have been authenticated and delivered, except lost, stolen or destroyed Senior Secured Notes that have been replaced or paid and Senior Secured Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or

(b) all Senior Secured Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in euro, euro-denominated European Government Obligations, or a combination of cash in euro and euro-denominated European Government Obligations, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Senior Secured Notes not delivered to the Trustee for cancellation of principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) the Issuer or any Guarantor has paid or caused to be paid all sums payable by it under the Senior Secured Notes Indenture; and

(3) the Issuer has delivered irrevocable instructions to the Trustee under the Senior Secured Notes Indenture to apply the deposited money toward the payment of the Senior Secured Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

Judgment Currency

The sole currency of account and payment for all sums payable by the Issuer or a Guarantor under the Senior Secured Notes Indenture, the Senior Secured Notes and the Notes Guarantees is euro. Any amount received or recovered in a currency other than euro in respect of the Senior Secured Notes (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 Subsidiary or otherwise) by a holder of Senior Secured Notes or by the Trustee in respect of any sum expressed to be due to it from the Issuer or a Guarantor will constitute a discharge of the Issuer and the Guarantors only 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 possible to make that purchase on that date, on the first date on which it is possible to do so). If that euro amount is less than the euro amount expressed to be due to the recipient under any Senior Secured Note, the Issuer and the Guarantors will indemnify the recipient against any loss sustained by it as a result. In any event the Issuer and the Guarantors will indemnify the recipient against the cost of making any such purchase.

For the purposes of this indemnity, it will be sufficient for the holder or the Trustee to certify that it would have suffered a loss had an actual purchase of euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro on such date had not been practicable, on the first date on which it would have been practicable). These indemnities constitute a separate and independent obligation from the other obligations of the Issuer and the Guarantors, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any holder 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 to any sum due under any Senior Secured Note, any Notes Guarantee or any other judgment or order.

Concerning the Trustee

The Issuer shall deliver written notice to the Trustee within 30 days of becoming aware of the occurrence of a Default or an Event of Default. If the Trustee becomes a creditor of the Issuer or any Guarantor, the Senior Secured Notes Indenture will limit the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest in its capacity as Trustee it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Senior Secured Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Senior Secured Notes Indenture will provide that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Senior Secured Notes Indenture at the request of any holder of Senior Secured Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

The Issuer and the Guarantors jointly and severally will indemnify the Trustee for certain claims, liabilities and expenses incurred without gross negligence, or willful misconduct, or bad faith on its part, arising out of or in connection with its duties.

Listing

Application has been made to list the Senior Secured Notes on the Official List of the Luxembourg Stock Exchange and to admit the Senior Secured Notes to trading on the Euro MTF Market. There can be no assurance that the application to list the Senior Secured Notes on the Official List of the Luxembourg Stock Exchange and to admit the Senior Secured Notes to trading on the Euro MTF Market will be approved, and settlement of the Senior Secured Notes is not conditioned on obtaining this listing. The Issuer has initially designated Deutsche Bank Luxembourg S.A. as its agent for those purposes. The address of Deutsche Bank Luxembourg S.A. is 2, boulevard Konrad Adenauer, L-1115 Luxembourg, Grand Duchy of Luxembourg.

Additional information

Anyone who receives this offering memorandum may, following the Issue Date, obtain a copy of the Senior Secured Notes Indenture, the forms of Senior Secured Notes, the Security Documents and the Intercreditor Agreement without charge by writing to the Issuer at 26-28, rue Edward Steichen, L-2540 Luxembourg, Grand Duchy of Luxembourg.

So long as the Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange shall so require, copies of the financial statements included in this offering memorandum may be obtained, free of charge, during normal business hours at the offices of the Paying Agent in Luxembourg.

Governing law

The Senior Secured Notes Indenture, the Senior Secured Notes and the Notes Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. The provisions of articles 86 to 94-8 of the Luxembourg Companies Act are expressly excluded and shall not apply to the Senior Secured Notes. The Intercreditor Agreement will be governed by English law. The Security Documents will be governed by the applicable local laws of the jurisdiction under which the Liens over the Collateral are granted.

Consent to jurisdiction and service of process

The Senior Secured Notes Indenture will provide that the Issuer and each Guarantor (other than any Guarantor incorporated in the United States) will appoint CT Corporation System, 111 Eighth Avenue, 13th floor, New York, New York, 10011, United States, as its agent for service of process in any suit, action or proceeding with respect to the Senior Secured Notes Indenture, the Senior Secured Notes and the Notes Guarantees brought in any U.S. federal or New York state court located in the City of New York and will submit to such jurisdiction.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Senior Secured Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Senior Secured Notes will be prescribed five years after the applicable due date for payment of interest.

Certain definitions

Set forth below are certain defined terms used in this Description of the Senior Secured Notes. Reference is made to the Senior Secured Notes Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"**Acquired Debt**" means, with respect to any specified Person:

(1) Indebtedness of any other Person or its Subsidiaries existing at the time such other Person is merged with or into or becomes a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"**Acquisition** " means the acquisition of the Targets by Blitz pursuant to the Acquisition Agreement.

"**Acquisition Agreement**" means the share purchase agreement dated April 16, 2014, relating to the sale and purchase of the shares in the Targets, among GEA Group Aktiengesellschaft, GEA Heat Exchangers GmbH, GEA Group Holding GmbH and Blitz.

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control", as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling", "controlled by" and "under common control with" have correlative meanings.

"**Agreed Security Principles**" means the agreed security principles appended to the Revolving Credit Facility Agreement, as of the Completion Date, as applied *mutatis mutandis* with respect to the Senior Secured Notes in good faith by the Issuer.

"**Applicable Premium**" means:

(1) with respect to any Floating Rate Note on any redemption date, the greater of:

  (a) 1.0% of the principal amount of the Floating Rate Note; and

  (b) the excess of:

    (i) the present value at such redemption date of (A) the redemption price of the Floating Rate Note at June 15, 2015 (such redemption price being set forth in the table appearing above under the caption "—*Optional redemption—Floating Rate Notes*") plus (B) all required interest payments due on the Floating Rate Note through June 15, 2015 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points and assuming that the rate of interest on the Floating Rate Note from the redemption date through June 15, 2015 will equal the rate of interest on the Floating Rate Note in effect on the date on which the applicable notice of redemption is given; over

    (ii) the principal amount of the Floating Rate Note; and

(2) with respect to any Fixed Rate Note on any redemption date, the greater of:

  (a) 1.0% of the principal amount of the Fixed Rate Note; and

  (b) the excess of:

    (i) the present value at such redemption date of (A) the redemption price of the Fixed Rate Note at June 15, 2017 (such redemption price being set forth in the table appearing above under the caption "—*Optional redemption—Fixed Rate Notes*") plus (B) all required interest payments due on the Fixed Rate Note through June 15, 2017 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over

    (ii) the principal amount of the Fixed Rate Note; and

in each case as calculated by the Issuer.

For the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee or the Paying Agents.

"**Asset Sale**" means:

(1) the sale, lease, conveyance or other disposition of any assets by the Issuer or any Restricted Subsidiary; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries taken as a whole will be governed by the provisions of the Senior Secured Notes Indenture described above under the caption "—*Repurchase at the option of holders—Change of Control*" and/or the provisions described above under the caption "—*Certain covenants—Merger, consolidation or sale of assets*" and not by the provisions described under the caption "—*Repurchase at the option of holders—Asset Sales*"; and

(2) the issuance of Equity Interests by any Restricted Subsidiary or the sale by the Issuer or any Restricted Subsidiary of Equity Interests in any of the Issuer's Subsidiaries (in each case, other than directors' qualifying shares).

Notwithstanding the foregoing, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than €5.0 million;

(2) a transfer of assets or Equity Interests between or among the Issuer and the Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Issuer or a Restricted Subsidiary;

(4) the sale, lease or other transfer of accounts receivable, inventory, trading stock, products, raw materials and other assets in the ordinary course of business (including the abandonment or other disposition of intellectual property that is, in the reasonable judgment of the Issuer, no longer economically practicable to maintain or useful in the conduct of business of the Issuer and the Restricted Subsidiaries, taken as a whole);

(5) licenses and sublicenses by the Issuer or any Restricted Subsidiary of software or intellectual property in the ordinary course of business;

(6) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(7) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain covenants—Liens*";

(8) the sale or other disposition of cash or Cash Equivalents;

(9) a Restricted Payment that does not violate the covenant described above under the caption "*—Certain covenants—Restricted Payments*", a Permitted Investment or any transaction specifically excluded from the definition of Restricted Payment;

(10) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) any sale or disposition of receivables and related assets in connection with any Qualified Receivables Transaction and any factoring; and

(12) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind.

"**Beneficial Owner**" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "**Beneficially Owns**" and "**Beneficially Owned**" have a corresponding meaning.

"**Board of Directors**" means:

(1) with respect to any corporation, the board of directors or board of managers (or analogous governing body) of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors (or analogous governing body) of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members (or analogous governing body) or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"**Bund Rate**" means, as of any redemption date, the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*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 by the Issuer in good faith)) most nearly equal to the period from the redemption date to June 15, 2015 (with respect to Floating Rate Notes) or June 15, 2017 (with respect to Fixed Rate Notes); *provided*, *however*, that if the period from the redemption date to June 15, 2015 (with respect to Floating Rate Notes) or June 15, 2017 (with respect to Fixed Rate Notes) 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 June 15, 2015 (with respect to Floating Rate Notes) or June 15, 2017 (with respect to Fixed Rate Notes) 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 a day other than a Saturday, Sunday or other day on which banking institutions in Frankfurt, London or Luxembourg or a place of payment under the Senior Secured Notes Indenture are authorized or required by law to close and, with respect to payments to be made under the Senior Secured Notes Indenture, other than any day which is not a TARGET Settlement Day.

"**Capital Lease Obligation**" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet (excluding the footnotes thereto) prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"**Capital Stock**" means:

(1) in the case of a corporation, corporate stock (including, in the case of a Luxembourg public limited liability company or private limited liability company, the share capital of such company);

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person,

but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"**Cash Equivalents**" means:

(1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union or the United States of America, Switzerland or Canada, as the case may be, and which are not callable or redeemable at the Issuer's option;

(2) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities of 12 months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of America or any state thereof, Switzerland or Canada; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of €250 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated "A-1" or higher by Moody's or A+ or higher by S&P (or, if at the time neither S&P or Moody's is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization);

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P (or, if at the time neither S&P or Moody's is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) and, in each case, maturing within one year after the date of acquisition; and

(5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

"**Change of Control**" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries, taken as a whole, to any Person (including any "person" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act)) other than one or more Permitted Holders;

(2) the adoption of a plan relating to the liquidation or dissolution of the Issuer or the Senior Notes Issuer;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" as defined above) other than one or more Permitted Holders becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of the Issuer measured by voting power rather than number of shares; or

(4) the first day on which a majority of the members of the Board of Directors of the Issuer are not Continuing Directors,

provided that, in each case, a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

"**Change of Control Offer**" has the meaning assigned to that term in the Senior Secured Notes Indenture governing the Senior Secured Notes.

"**Clearstream**" means Clearstream Banking, *société anonyme*, or any successor securities clearing agency.

"**Collateral** " means the rights, property and assets securing the Senior Secured Notes and the Notes Guarantees as described in the section entitled "*—Security*" and any rights, property or assets in which a security interest has been or will be granted on the Issue Date or the Completion Date or thereafter to secure the Obligations of the Issuer and the Guarantors under the Senior Secured Notes and the Senior Secured Notes Indenture.

"**Completion Date Distribution**" means a dividend or distribution to a Parent Entity on the Completion Date for purposes of funding a portion of the consideration payable in the Acquisition as described in this offering memorandum under the caption "*Use of Proceeds*", in an aggregate amount not to exceed:

(1) the total amount of cash and cash equivalents of the HX Group, as shown on the HX Group's balance sheet on the last day of the month immediately preceding the Completion Date, determined on a combined basis in accordance with IFRS; *minus*

(2) €48.0 million; *minus*

(3) the aggregate amount of Pre-Completion Interest,

provided, *however*, that after giving effect to such dividend or distribution, the amount of the Equity Contribution shall be equal to at least 27.5% of the Net Capitalization.

"**Consolidated EBITDA**" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

(1) provision for Taxes based on income or profits of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(2) the Fixed Charges of such Person and its Subsidiaries that are Restricted Subsidiaries for such period; *plus*

(3) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees) and other non-cash charges and expenses (including, without limitation, write-downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on the Issuer and the Restricted Subsidiaries for such period) of the Issuer and the 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 or amortization of a prepaid cash charge or expense that was paid in a prior period) for such period; *plus*

(4) any expenses, charges or other costs related to the issuance of any Capital Stock, or any Permitted Investment, acquisition, disposition, recapitalization or listing or the incurrence of Indebtedness permitted to be incurred under the covenant described above under the caption *"—Certain Covenants—Incurrence of Indebtedness and issuance of preferred stock*", whether or not successful; *plus*

(5) any foreign currency transaction losses of the Issuer and the Restricted Subsidiaries; *plus*

(6) the amount of any minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Equity Interests held by such parties; *plus*

(7) (a) any unusual loss or charge, or (b) any non-cash charges or reserves in respect of any integration; *plus*

(8) all expenses incurred directly in connection with any early extinguishment of Indebtedness; *minus*

(9) any foreign currency transaction gains of the Issuer and the Restricted Subsidiaries; *minus*

(10) any unusual gain; *minus*

(11) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (11) of the definition of Consolidated Net Income), other than the reversal of a reserve for cash charges in a future period in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with IFRS.

"**Consolidated Leverage**" means, with respect to any Person as of any date of determination, the sum without duplication of (a) the total amount of Indebtedness of such Person and its Restricted Subsidiaries on a consolidated basis, plus (b) an amount equal to the greater of the liquidation preference or the maximum fixed redemption or repurchase price of all Disqualified Stock of such Person and all preferred stock of Restricted Subsidiaries of such Person (but not giving effect to any additional Indebtedness to be incurred on the date of determination as part of the same transaction or series of transactions pursuant to the second paragraph under "*—Certain covenants—Incurrence of Indebtedness and issuance of preferred stock*").

"**Consolidated Leverage Ratio**" means, with respect to any specified Person as of any date of determination, the ratio of (a) the Consolidated Leverage of such Person on such date to (b) the Consolidated EBITDA of such Person for such Person's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding such date. In the event that the specified Person or any of its Subsidiaries that are Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Disqualified Stock or preferred stock subsequent to the commencement of the period for which the Consolidated Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by the Issuer's chief financial officer or chief accounting officer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance 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 the *pro forma* calculation of the Consolidated Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the definition of Permitted Debt 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 definition of Permitted Debt.

For purposes of calculating the Consolidated EBITDA for such period:

(1) acquisitions that have been made by the specified Person or any of its Subsidiaries that are Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Subsidiaries that are Restricted Subsidiaries acquired by the specified Person or any Restricted Subsidiary, 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 the Issuer's chief financial officer or chief accounting officer) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period; and

(4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period.

"**Consolidated Net Income**" means, with respect to any specified Person for any period, the aggregate of the profit (loss) of such Person and the Restricted Subsidiaries for such period, on a consolidated basis (excluding the profit (loss) of any Unrestricted Subsidiaries), determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; *provided* that:

(1) (i) any extraordinary or exceptional gain, loss or charge, (ii) any asset impairments charges or (iii) any non-cash charges or reserves in respect of any restructuring, redundancy, integration or severance, in each case, will be excluded;

(2) the profit (loss) of any Person (other than the Issuer) if such Person is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be excluded, except that (A) the Issuer's equity in the profit of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of dividends or similar distributions paid in cash to the Issuer or a Restricted Subsidiary and (B) the Issuer's equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period will be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Issuer or a Restricted Subsidiary;

(3) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption "*—Certain covenants—Restricted Payments*", any net income or loss of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Senior Secured Notes, the Senior Secured Notes Indenture, the Senior Notes or the Senior Notes Indenture and (c) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the holders of the Senior Secured Notes than such restrictions in effect on the Issue Date) 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 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);

(4) 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 the Issuer) will be excluded;

(5) any one time non-cash charges or any amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries will be excluded;

(6) the cumulative effect of a change in accounting principles will be excluded;

(7) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;

(8) any non-cash compensation charge or expenses arising from any grant of stock, stock options or other equity-based awards will be excluded;

(9) any goodwill or other intangible asset impairment charges will be excluded;

(10) all deferred financing costs written off and premium paid in connection with any early extinguishment of Indebtedness and any net gain or loss from any write-off or forgiveness of Indebtedness will be excluded; and

(11) any capitalized interest on any Subordinated Shareholder Debt will be excluded.

"**Consolidated Senior Secured Leverage**" means, as of any date of determination, the sum of the total amount of Senior Secured Indebtedness of the Issuer and the Restricted Subsidiaries on a consolidated basis.

"**Consolidated Senior Secured Leverage Ratio**" means, as of any date of determination, the ratio of (a) the Consolidated Senior Secured Leverage on such date to (b) the Consolidated EBITDA of the Issuer for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding such date. In the event that the Issuer or any Restricted Subsidiary incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Senior Secured Indebtedness (other than ordinary working capital borrowings) subsequent to the commencement of the period for which the Consolidated Senior Secured Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Senior Secured Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Senior Secured Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by the Issuer's chief financial officer or chief accounting officer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Senior Secured Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided*, *however*, that the *pro forma* calculation of the Consolidated Senior Secured Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the definition of Permitted Debt 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 definition of Permitted Debt.

For purposes of calculating the Consolidated EBITDA for such period:

(1) acquisitions that have been made by the specified Person or any of its Subsidiaries that are Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Subsidiaries that are Restricted Subsidiaries acquired by the specified Person or any Restricted Subsidiary, 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 the Issuer's chief financial officer or chief accounting officer) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period; and

(4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period.

"**continuing** " means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"**Continuing Directors**" means, as of any date of determination, any member of the Board of Directors of the Issuer who:

(1) was a member of such Board of Directors on the Issue Date; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

“**Credit Facilities**” means one or more debt facilities, instruments or arrangements incurred (including the Revolving Credit Facility Agreement or commercial paper facilities and overdraft facilities) or commercial paper facilities or indentures or trust deeds or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, performance guarantees or other forms of guarantees and assurances, bonds, notes debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks or institutions and whether provided under the original Revolving Credit Facility Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “**Credit Facilities**” shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“**Currency Exchange Protection Agreement**” means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

“**Default** ” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“**Designated Non-Cash Consideration**” means the Fair Market Value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale that is designated as “Designated Non-Cash Consideration” pursuant to an Officer’s Certificate setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-Cash Consideration.

“**Disqualified Stock**” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the six-month anniversary of the Stated Maturity of the Senior Secured Notes. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption “*—Certain covenants—Restricted Payments*”. For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Senior Secured Notes 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.

“**Equity Contribution**” has the meaning given to such term under *“The Transactions*”.

“**Equity Interests**” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“**Equity Investors**” means Triton Managers IV Limited (together “***Triton IV***”) and its Affiliates (not including, however, any portfolio company of the foregoing, other than entities of which Triton IV beneficially owns in the aggregate a majority (or more) the Voting Stock and which are established to solely hold, directly or indirectly, interests in the Issuer) or any fund that has directly or indirectly any of Triton IV as a general partner or any investment vehicle, trust, fund, company or partnership owned, managed or advised by Triton IV or any such Affiliate.

“**Equity Offering**” means an offering of Capital Stock (other than Disqualified Stock and other than an offering to the Issuer or any of its Subsidiaries) of the Issuer or any Parent Entity pursuant to (x) a registration statement that has been declared effective by the U.S. Securities and Exchange Commission pursuant to the U.S. Securities Act (other than a registration statement on Form S-8 or otherwise relating to Capital Stock issuable under any employee benefit plan) or a public offering outside of the United States or (y) Rule 144A and/or Regulation S or other private placement exemption under the U.S. Securities Act to professional market investors or similar persons.

“**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 Monetary Union on the Issue Date whose long-term debt is rated "Aa2" or higher by Moody's or "AA" or higher by S&P (or, if at the time neither S&P or Moody's is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization), 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.

"**Excluded Contributions**" means the net cash proceeds received by the Issuer after the Issue Date from:

(1) contributions to its common equity capital; and

(2) the sale (other than to a Subsidiary of the Issuer) of Capital Stock (other than Disqualified Stock) of the Issuer,

in each case designated as "Excluded Contributions" pursuant to an Officer's Certificate no later than the date on which such Excluded Contribution has been received by the Issuer, the net cash proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the covenant described under "*—Certain covenants—Restricted Payments*" and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "Optional Redemption" provisions of the Senior Secured Notes Indenture.

"**Fair Market Value**" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the Issuer's chief executive officer or chief financial officer or an officer of the Issuer responsible for accounting or financial reporting.

"**Fixed Charge Coverage Ratio**" means, with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any Restricted Subsidiary incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) 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 the Issuer's chief financial officer or chief accounting officer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance 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 the *pro forma* calculation of the Fixed Charge Coverage Ratio shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the definition of Permitted Debt 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 definition of Permitted Debt.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Subsidiaries that are Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Subsidiaries that are Restricted Subsidiaries acquired by the specified Person or any Restricted Subsidiary, 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 the Issuer's chief financial officer or chief accounting officer) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with 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 Restricted Subsidiary following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

"**Fixed Charges**" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated finance cost (net of finance income) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt discount (but not debt issuance costs, commissions, fees and expenses), non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments), the interest component of deferred payment obligations (including, without limitation, pension liabilities), the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings; *plus*

(2) the consolidated finance cost (but excluding interest on Subordinated Shareholder Debt) of such Person and its Subsidiaries which are Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Subsidiaries which are Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Subsidiaries which are Restricted Subsidiaries; *plus*

(4) net payments and receipts (if any) pursuant to interest rate Hedging Obligations (excluding amortization of fees) with respect to Indebtedness; *plus*

(5) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of any Restricted Subsidiary, other than dividends on Equity Interests payable to the Issuer or a Restricted Subsidiary, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by the Issuer's chief financial officer or chief accounting officer.

"**Guarantee** " means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, of all or any part of any Indebtedness (whether arising by agreements to keep-well, to take or pay or to maintain financial statement conditions, pledges of assets or otherwise).

"**Guarantee Facility Agreement**" means the senior guarantee facility agreement dated as of May 18, 2014 by and among, *inter alios*, the Issuer, Blitz, Galapagos BidCo, Commerzbank Aktiengesellshaft, Deutsche Bank AG, London Branch, ING Bank, a branch of ING-DIBA AG, RBC Capital Markets, The Royal Bank of Scotland plc and UniCredit Bank AG, providing for up to €400.0 million of letter of credit facilities, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"**Guarantors** " means, collectively, the Issue Date Guarantors, the HX Guarantors and any Subsidiary of the Issuer that guarantees the Senior Secured Notes and their respective successors and assigns, in each case, until the Notes Guarantee of such Person has been released in accordance with the provisions of the Senior Secured Notes Indenture.

"**Hedging Obligations**" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates, including Currency Exchange Protection Agreements, or commodity prices.

"**IFRS**" means International Financial Reporting Standards as endorsed by the European Union and in effect as of the Issue Date.

"**Indebtedness**" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments for which such Person is responsible or liable;

(3) representing reimbursement obligations in respect of letters of credit, bankers' acceptances or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than 90 days after such property is acquired or such services are completed; or

(6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS. In addition, the term "**Indebtedness**" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person to the extent guaranteed by such Person; *provided* that in the case of Indebtedness secured by a Lien, the amount of such Indebtedness will be the lesser of (a) the Fair Market Value of such asset at such date of determination (as determined in good faith by the Issuer) and (b) the amount of such Indebtedness of such other Person.

The term "**Indebtedness**" shall not include:

(1) Subordinated Shareholder Debt;

(2) any lease of property which would be considered an operating lease under IFRS;

(3) 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 and in each case is not determinable at the time of closing; *provided*, *however*, that to the extent such payment becomes fixed and determined after the closing, the amount is paid within 30 days thereafter, and if such amounts due are not paid on or prior to 30 days following the date of such payment becoming fixed and determined, then such amounts due shall become Indebtedness incurred on the date such amounts payment became fixed and payable;

(4) liabilities in respect of obligations (other than in connection with the borrowing of money) related to standby letters of credit, performance guarantees, warranty guarantees, advanced payment guarantees, bid guarantees or bonds or surety bonds provided by or at the request of the Issuer or any Restricted Subsidiary in the ordinary course of business (whether or not secured) to the extent such letters of credit, guarantees or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than 30 days following receipt by such Person of a demand for reimbursement following payment on the letter of credit, guarantee or bond; *provided* that if such amounts due are not reimbursed on or prior to 30 days following receipt by such Person of a demand for reimbursement, then such amounts due shall become Indebtedness incurred on the date such amounts became due;

(5) 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; or

(6) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations, obligations with respect to medical benefits of workers and retirees or contributions or similar claims, obligations or contributions or social security or wage Taxes.

"**Initial Public Offering**" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent Entity or any successor of the Issuer or any Parent Entity (the "**IPO Entity**") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"**Intercreditor Agreement**" means the intercreditor agreement to be entered into on or about the Issue Date by and among, *inter alios*, the Issuer, the Senior Notes Issuer, Blitz, Galapagos BidCo, the Security Agent and the facility agent under the Revolving Credit Facility Agreement and the agent under the Guarantee Facility Agreement, as amended, restated or otherwise modified or varied from time to time.

"**Investment Grade Rating**" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P, or an equivalent rating by any other Rating Agency.

"**Investments**" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet (excluding the footnotes) prepared in accordance with IFRS. If the Issuer or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Issuer or such Restricted Subsidiary will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of its Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain covenants—Restricted Payments*". The acquisition by the Issuer or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain covenants—Restricted Payments*". Except as otherwise provided in the Senior Secured Notes Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

"**IPO Entity**" has the meaning given it in the definition of Initial Public Offering.

"**IPO Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"**Issue Date**" means May 30, 2014.

"**Lien**" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof.

"**Management Advances**" means, loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers or employees of the Issuer or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;

(2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

(3) in the case of this clause (3) only, not exceeding €2.0 million in the aggregate outstanding at any time.

"**Management Fees**" means (a) customary fees for the performance of monitoring services by shareholders or any of their Affiliates and (b) customary fees and related expenses for the performance of transaction, management, consulting, financial or other advisory services or underwriting, placement or other investment banking activities, including in connection with mergers, acquisitions, dispositions or joint ventures, by the Equity Investors or any of their Affiliates for the Issuer or any of the Restricted Subsidiaries, which payments in respect of this clause (b) have been approved by a majority of the disinterested members of the Board of Directors of the Issuer; *provided* that the amount of such fees under clauses (a) and (b) will not, in the aggregate, exceed €3.0 million *per annum* (inclusive of out of pocket expenses).

"**Market Capitalization**" means an amount equal to (1) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend or distribution or payment of the relevant loan or advance, multiplied by (2) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding such date.

"**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) of the U.S. Exchange Act.

"Net Capitalization" has the meaning given to such term under *"Certain Definitions"*.

"**Net Proceeds**" means the aggregate cash proceeds received by the Issuer or any Restricted Subsidiary in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any Designated Non-Cash Consideration or other consideration received in non-cash form or Cash Equivalents substantially concurrently received in any Asset Sale), net of the direct costs relating to such Asset Sale and the sale of such Designated Non-Cash Consideration or other consideration received in non-cash form, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale (in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements), and all distributions and other payments required to be made to minority interest holders (other than the Issuer or any of its Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Sale, and any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS.

"**Notes Guarantee**" means the Guarantee by each Guarantor of the Issuer's Obligations under the Senior Secured Notes Indenture and the Senior Secured Notes.

"**Obligations** " means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"**Officer** " means, with respect to any Person, the chief executive officer and the chief financial officer of such Person or an officer of such Person responsible for accounting or financial reporting or, in respect of any Person incorporated under the laws of the Grand Duchy of Luxembourg, a member of the board of directors or board of managers of such Person, as well as any other authorized signatory of such Person.

"**Officer's Certificate**" means a certificate signed by an Officer.

"**Parent Entity**" means any direct or indirect parent company or entity of the Issuer.

"**Permitted Business**" means (1) any businesses, services or activities engaged in by the Issuer or any of the Restricted Subsidiaries on the Issue Date and (2) any businesses, services and activities engaged in by the Issuer or any of the Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments thereof.

"**Permitted Collateral Liens**" means:

(1) Liens on the Collateral to secure the Senior Secured Notes (or the Notes Guarantees) or any Additional Senior Secured Notes (or any guarantee of Additional Senior Secured Notes) and Permitted Refinancing Indebtedness in respect thereof (and Permitted Refinancing Indebtedness in respect of such Permitted Refinancing Indebtedness); *provided*, *however*, that (a) each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement and (b) all property and assets (including, without limitation, the Collateral) securing any such Additional Senior Secured Notes (or any guarantee of Additional Senior Secured Notes) or Permitted Refinancing Indebtedness secures the Senior Secured Notes or the Notes Guarantees on a senior or *pari passu* basis;

(2) Liens on the Collateral to secure (a) Indebtedness under Credit Facilities that is permitted by clause (1)(a) of the definition of Permitted Debt, (b) Indebtedness under Permitted L/C Facilities that is permitted by clause (1)(b) of the definition of Permitted Debt, (c) Senior Secured Indebtedness permitted by the first paragraph of the covenant entitled "*—Certain covenants—Incurrence of Indebtedness and issuance of preferred stock*" and Permitted Refinancing Indebtedness in respect thereof (and Permitted Refinancing Indebtedness in respect of such Permitted Refinancing Indebtedness), (d) Indebtedness permitted under clauses (8) (other than Hedging Obligations in respect of commodity prices) and (9) (to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and is specified in this definition of Permitted Collateral Liens) of the definition of Permitted Debt and any Permitted Refinancing Indebtedness in respect of any of the Indebtedness referred to in this clause (d) (and Permitted Refinancing Indebtedness in respect of such Permitted Refinancing Indebtedness) and (e) Permitted Trade L/C Liens; *provided*, *however*, that (i) each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement and (ii) all property and assets (including, without limitation, the Collateral) securing such Indebtedness or other obligations secures the Senior Secured Notes or the Notes Guarantees on a senior or *pari passu* basis, except that, in the case of (A) Indebtedness under Credit Facilities to be incurred pursuant to clause (1)(a) of the definition of Permitted Debt, (B) Indebtedness under Permitted L/C Facilities to be incurred pursuant to clause (1)(b) of the definition of Permitted Debt, (C) Hedging Obligations under agreements or arrangements designed to manage interest rate risk or exchange rate risk with respect to the Senior Secured Notes or the Senior Notes and other Hedging Obligations under arrangements designed to manage exchange rate risk in an amount not to exceed €30.0 million, in each case permitted under clause (8) of the definition of Permitted Debt and (D) Permitted Trade L/C Liens, the security of the Senior Secured Notes or the Notes Guarantees may rank junior with respect to distributions of proceeds of any enforcement of Collateral; *provided* that in the case of clauses (B) and (D), the amount of proceeds from enforcement of the Collateral that lenders under Permitted L/C Facilities shall be entitled to receive in priority to the Senior Secured Notes and the Notes Guarantees will not exceed €400.0 million in the aggregate;

(3) Liens on the Collateral that are described in one or more of clauses (3), (6), (7), (8), (12), (13), (14), (19), (20), (21), (31) and (32) of the definition of Permitted Liens; *provided*, *however* that in connection with any Permitted Collateral Lien incurred pursuant to this clause (3), none of the Security Documents or the Intercreditor Agreement may be amended, expanded, renewed, restated, supplemented, released or otherwise modified or replaced; *provided* that, for the avoidance of doubt, Liens listed in this clause (3) arising by operation of law shall rank as provided by law; and

(4) Liens on the Senior Notes Shared Collateral to secure Indebtedness issued or borrowed by the Senior Notes Issuer; *provided* that such Liens rank junior to the Liens securing the Senior Secured Notes.

"**Permitted Holders**" means the Equity Investors. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Secured Notes Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"**Permitted Investments**" means:

(1) any Investment in the Issuer or in a Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Issuer or any Restricted Subsidiary in a Person, if as a result of such Investment:

   (a) such Person becomes a Restricted Subsidiary; or

   (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "*—Repurchase at the option of holders—Asset Sales*";

(5) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes;

(6) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business;

(7) Investments represented by Hedging Obligations, which obligations are permitted by clause (8) of the definition of Permitted Debt;

(8) Investments in the Senior Secured Notes (including any Additional Senior Secured Notes) and any other Indebtedness of the Issuer or any Restricted Subsidiary;

(9) any Guarantee of Indebtedness permitted to be incurred by the covenant described above under the caption "*—Certain covenants—Incurrence of Indebtedness and issuance of preferred stock*";

(10) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased only (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Senior Secured Notes Indenture;

(11) Investments acquired after the Issue Date as a result of the acquisition of another Person by the Issuer or any Restricted Subsidiary, including by way of a merger, amalgamation or consolidation with or into the Issuer or any Restricted Subsidiary in a transaction that is not prohibited by the covenant described above under the caption "*—Merger, consolidation or sale of assets*" after the Issue Date, to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(12) Management Advances;

(13) pledges or deposits (a) with respect to leases or utilities provided to third parties in the ordinary course of business or (b) otherwise described in the definition of Permitted Liens or made in connection with Liens permitted under the covenant described under "*—Certain covenants—Liens*";

(14) any Investment to the extent made using as consideration Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Debt or Capital Stock of any Parent Entity;

(15) Investments in joint ventures or Unrestricted Subsidiaries in a Permitted Business having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (15) that are at the time outstanding not to exceed the greater of €30.0 million and 2.0% of Total Assets; *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 above under the caption "*—Certain covenants—Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of Permitted Investments and not this clause; and

(16) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (16) that are at the time outstanding not to exceed the greater of €30.0 million and 2.0% of Total Assets; *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 above under the caption "*—Certain covenants—Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of this definition of Permitted Investments and not this clause.

"**Permitted L/C Facilities**" means, with respect to the Issuer or any Guarantors, one or more Credit Facilities with commercial banks providing for the issuance of letters of credit, guarantees, indemnities or other similar instruments, including the Guarantee Facility Agreement, 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 Permitted L/C Facilities (including all unutilized amounts thereunder, the aggregate undrawn and unexpired amount of letters of credit or other instruments issued thereunder and the aggregate amount of drawings thereunder that have not been reimbursed) shall not at any time exceed €400.0 million in the aggregate.

"**Permitted Liens**" means:

(1) Liens in favor of the Issuer or the Guarantors;

(2) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary or such merger or consolidation, were not incurred in contemplation thereof and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary;

(3) Liens to secure the performance of statutory obligations, trade contracts, insurance, surety or appeal bonds, workers compensation obligations, leases or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(4) Liens to secure Indebtedness permitted by clause (4) of the definition of Permitted Debt covering only the assets acquired with or financed by such Indebtedness;

(5) Liens existing on the Issue Date or, with respect to the HX Group, Liens existing on the Completion Date;

(6) Liens for taxes, assessments or governmental charges or claims that (a) are not yet due and payable or (b) are being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as will be required in conformity with IFRS will have been made;

(7) Liens imposed by law or by agreement with a regulatory or governmental authority having the same effect, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(8) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(9) Liens created for the benefit of (or to secure) the Senior Secured Notes (or the Notes Guarantees);

(10) Liens securing Indebtedness under Hedging Obligations, which obligations are permitted by clause (8) of the definition of Permitted Debt;

(11) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Senior Secured Notes Indenture; *provided*, *however*, that:

  (a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

  (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (i) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(12) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(13) filing of Uniform Commercial Code financing statements under U.S. state law (or similar filings under applicable jurisdiction) in connection with operating leases in the ordinary course of business;

(14) bankers' Liens, rights of setoff or similar rights and remedies as to deposit accounts, Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(15) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(16) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(17) Liens under or arising out of leases, licenses, subleases and sublicenses of assets in the ordinary course of business;

(18) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;

(19) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer or any Restricted Subsidiary and subordination or similar agreements relating thereto and

  (b) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(22) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(23) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(24) Liens on any proceeds loan made by the Issuer or any Restricted Subsidiary in connection with any future incurrence of Indebtedness permitted under the Senior Secured Notes Indenture and securing that Indebtedness;

(25) Liens on property at the time the Issuer or any Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Issuer or any Restricted Subsidiary; *provided* that such Liens are not created, incurred or assumed in connection with, or in contemplation of, such acquisition and do not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(26) Liens incurred by the Issuer and the Restricted Subsidiaries with respect to obligations (including Indebtedness) that do not exceed €25.0 million at any one time outstanding;

(27) any interest or title of a lessor under any operating lease;

(28) Liens on Receivables and related assets of the type customarily granted in connection with factoring receivables financings or receivables sales transactions or of the type described in the definition of "Qualified Receivables Transaction" incurred in connection with a Qualified Receivables Transaction;

(29) Liens incurred in connection with a cash management program established in the ordinary course of business;

(30) Permitted Trade L/C Liens; and

(31) Liens arising under the general business conditions of any bank, financial institution or savings bank with whom the Issuer or any of its Restricted Subsidiaries maintains a banking relationship in the ordinary course of business;

(32) Liens over any asset held in Clearstream or Euroclear or any other securities depository or any clearing house in favor of such or any other securities depository or clearing house; and

(33) Liens created or subsisting in order to secure any obligations incurred in order to comply with the requirements of section 8a of the German Partial Retirement Act (*Altersteilzeitgesetz*) or pursuant to section 7e of the Fourth Book of the German Social Security Code (*SGB IV*).

"**Permitted Parent Payments**" means the declaration and payment of dividends or other distributions, or the making of loans, by the Issuer or any of the Restricted Subsidiaries to any Parent Entity in amounts and at times required to pay:

(1) franchise fees and other fees, taxes and expenses required to maintain the corporate existence of any Parent Entity;

(2) fees and expenses of any Parent Entity incurred in connection with the Transactions, including the cost of any interest described in clause (1) of the definition of Pre-Completion Interest;

(3) fees and expenses of any Parent Entity to the extent such expenses are attributable to the ownership or operation of the Issuer and the Restricted Subsidiaries (including fees and expenses properly incurred in the ordinary course of business to auditors and legal advisors and payments in respect of services provided by directors, officers, consultants or employees of any such Parent Entity) not to exceed €3.0 million in any calendar year (with unused amounts in any calendar year being carried over to the next succeeding calendar year);

(4) costs (including all professional fees and expenses) incurred by any Parent Entity in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Senior Secured Notes Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiaries, including in respect of any reports filed with respect to the U.S. Securities Act, U.S. Exchange Act or the respective rules and regulations promulgated thereunder;

(5) fees and expenses of any Parent Entity incurred in relation to any public offering or other sale of Capital Stock or Indebtedness (whether or not completed) (a) where the net proceeds of such offering or sale are received by or contributed to the Issuer or any Restricted Subsidiaries; (b) in a prorated amount of such expenses in proportion to the amount of such net proceeds so received or contributed; or (c) otherwise on an interim basis prior to completion of such offering so long as any Parent Entity will cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and

(6) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and any of the Restricted Subsidiaries, taking into account any currently utilizable net operating loss carryovers and other tax attributes, and, to the extent of the amount actually received in cash by the Issuer from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; *provided* that such Parent Entity shall promptly pay such taxes or refund such amount to the Issuer.

"**Permitted Refinancing Indebtedness**" means any Indebtedness of the Issuer or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, exchange, defease or discharge, other Indebtedness of the Issuer or any Restricted Subsidiary (other than intercompany Indebtedness (other than any proceeds loan)); *provided* that:

(1) the aggregate principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Senior Secured Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is expressly contractually subordinated in right of payment to the Senior Secured Notes or the Notes Guarantees, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Senior Secured Notes or the Notes Guarantees, as the case may be, on terms at least as favorable to the holders of the Senior Secured Notes or the Notes Guarantees, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged; and

(4) such Indebtedness is incurred either by the Issuer or a Guarantor if the Issuer or any Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged.

"**Permitted Trade L/C Liens**" means Liens to secure Trade L/C Obligations incurred from time to time under Permitted L/C Facilities.

"**Person** " means any individual, corporation, company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"**Pre-Completion Interest**" means the sum of (1) all interest paid in respect of the Senior Secured Notes and the Senior Notes during the period from the Issue Date until and including the Completion Date and (2) all interest in respect of the Senior Secured Notes and the Senior Secured Notes that is accrued and unpaid as of the Completion Date.

"**Pre-Expansion European Union**" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004; *provided* that "**Pre-Expansion European Union**" shall not include any country whose long-term debt does not have a long-term rating of at least "AA" by S&P or at least "Aa2" by Moody's or the equivalent rating category of another internationally recognized rating agency.

"**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 €100.0 million on the date of such Equity Offering have been distributed to investors other than the Permitted Holders or their related parties, or any other direct or indirect shareholders of the Issuer as of the Issue Date, 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 U.S. Securities Act to professional market investors or similar persons).

"**Qualified Receivables Transaction**" means any transaction or series of transactions that may be entered into by the Issuer or any of its Restricted Subsidiaries pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to (1) a Receivables Entity (in the case of a transfer by the Issuer or any of its Restricted Subsidiaries) or (2) any other Person (in the case of a transfer by a Receivables Entity), or may grant a security interest in, any Receivables (whether now existing or arising in the future) of the Issuer or any of its Restricted Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such Receivables, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such Receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations or asset-based financings involving Receivables or receivables sales programs.

"**Rating Agencies**" means Moody's and S&P or, in the event either Moody's or S&P no longer assigns a rating to the Senior Secured Notes, any other Nationally Recognized Statistical Rating Organization selected by the Issuer as a replacement agency.

"**Receivable**" means a right to receive payment arising from a sale or lease of goods or the performance of services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods and services under terms that permit the purchase of such goods and services on credit and shall include, in any event, any items of property that would be classified as an "account", "chattel paper", "payment intangible", or "instrument" under the Uniform Commercial Code as in effect in the State of New York and any "supporting obligations" as so defined.

"**Receivables Entity**" means a Wholly Owned Subsidiary (or another Person formed for the purpose of engaging in a Qualified Receivables Transaction) 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 Receivables and related assets and which engages in no activities other than in connection with the financing of Receivables and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Entity and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:

(a) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of Obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings);

(b) is recourse to or obligates the Issuer or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings; or

(c) subjects any property or asset of the Issuer or any 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 Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Qualified Receivables Transaction) other than on terms 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, other than fees payable in the ordinary course of business in connection with servicing Receivables; and

(3) to which neither the Issuer nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels or operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a certified 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.

"**Restricted Investment**" means an Investment other than a Permitted Investment.

"**Restricted Subsidiary**" means any Subsidiary of the Issuer that is not an Unrestricted Subsidiary.

"**Revolving Credit Facility Agreement**" means the revolving credit facility agreement dated as of May 18, 2014, by and among, *inter alios*, the Issuer and certain of its subsidiaries and UniCredit Bank AG, London Branch, as agent and security agent, providing for up to €75.0 million of revolving credit facilities, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"**S&P**" means Standard & Poor's Ratings Services, a division of McGraw Hill, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Security Documents**" means the security agreements, the pledge agreements, the collateral assignments and other instruments and documents executed and delivered pursuant to the Senior Secured Notes Indenture or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time and pursuant to which the Collateral is pledged, assigned or granted to or on behalf of the Security Agent for the benefit of (among others) the holders of the Senior Secured Notes and the Trustee or notice of such pledge, assignment or grant is given.

"**Senior Notes**" has the meaning given to such term under "*Description of the Senior Notes*".

"**Senior Notes Escrow Agreement**" means the escrow deed dated as of the Issue Date among, *inter alios*, the Senior Notes Issuer, the Senior Notes Trustee and the Escrow Agent.

"**Senior Notes Indenture**" has the meaning given to such term under "*Description of the Senior Notes*".

"**Senior Notes Shared Collateral**" means the Shared Collateral, as such term is defined under "*Description of the Senior Notes*".

"**Senior Notes Trustee**" means Deutsche Trustee Company Limited, as trustee under the Senior Notes Indenture.

"**Senior Secured Indebtedness**" means, as of any date of determination, the principal amount of any outstanding Indebtedness that is secured by a Lien (other than a Lien permitted under clause (4) of the definition of Permitted Collateral Liens) and Indebtedness of a Restricted Subsidiary that is not a Guarantor. For purposes of calculating the principal amount of Senior Secured Indebtedness outstanding as of the any date, it shall be assumed that the maximum amount of Indebtedness permitted by clause (1)(a) of the definition of Permitted Debt has been incurred and is secured with a Lien.

"**Senior Secured Notes Proceeds Loans**" means the loans of the proceeds of the Senior Secured Notes pursuant to the Senior Secured Notes Proceeds Loan Agreements and all loans directly or indirectly replacing or refinancing such loans or any portion thereof.

"**Senior Secured Notes Proceeds Loan Agreements**" means the loan agreements to be entered into on the Issue Date between Galapagos BidCo, as borrower, and the Issuer, as lender.

"**Significant Subsidiary**" means, at the date of determination, any Subsidiary that together with its Subsidiaries (i) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Issuer or (ii) as of the end of the most recent fiscal year, was the owner of more than 10% of the consolidated assets of the Issuer.

"**Specified Change of Control Event**" means the occurrence of any event that would constitute a Change of Control pursuant to clauses (1), (3) or (4) of the definition thereof; *provided* that immediately prior to the occurrence of such event and immediately thereafter and giving *pro forma* effect thereto, the Consolidated Leverage Ratio of the Issuer would have been (i) if the date of such occurrence is prior to the two-year anniversary of the Issue Date, no higher than 4.0 to 1.0, and (ii) if the date of such occurrence is on or after the two-year anniversary of the Issue Date, less than 3.5 to 1.0. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Issue Date.

"**Standard Securitization Undertakings**" means representations, warranties, covenants, guarantees of performance and indemnities entered into by the Issuer or any Restricted Subsidiary which are reasonably customary in securitization of Receivables transactions.

"**Stated Maturity**" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the issue date thereof, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"**Subordinated Shareholder Debt**" means, collectively, any debt provided to the Issuer by any Parent Entity or any Permitted Holder, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Debt; *provided* that such Subordinated Shareholder Debt:

(1) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the Stated Maturity of the Senior Secured Notes (other than through conversion or exchange of any such security or instrument for Equity Interests of the Issuer (other than Disqualified Stock) or for any other security or instrument meeting the requirements of this definition);

(2) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the Stated Maturity of the Senior Secured Notes;

(3) does not (including upon the happening of any event) provide for the acceleration of its maturity or confer on its holders any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Senior Secured Notes;

(4) is not secured by a lien on any assets of the Issuer or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Issuer;

(5) is subordinated in right of payment to the prior payment in full in cash of the Senior Secured Notes in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Issuer at least to the same extent as the Topco Liabilities (as defined in the Intercreditor Agreement) are subordinated to the Senior Secured Notes under the Intercreditor Agreement;

(6) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Senior Secured Notes, compliance by the Issuer with its obligations under the Senior Secured Notes or compliance by the Issuer under the Senior Secured Notes Indenture;

(7) does not (including upon the happening of an event) constitute Voting Stock; and

(8) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder thereof, in whole or in part, prior to the Stated Maturity of the Senior Secured Notes other than into or for Capital Stock (other than Disqualified Stock) of the Issuer;

provided, however, that upon any event or circumstance that results in such Indebtedness ceasing to qualify as Subordinated Shareholder Debt, such Indebtedness shall constitute an incurrence of such Indebtedness by the Issuer, and any and all Restricted Payments made through the use of the net proceeds from the incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

"**Subsidiary**" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or shareholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof), whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) system is open.

"**Tax**" means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other additions thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax). "**Taxes**" and "**Taxation**" shall be construed to have corresponding meanings.

"**Total Assets**" means the total assets of the Issuer and the Restricted Subsidiaries, as shown on the most recent balance sheet of the Issuer, determined on a consolidated basis in accordance with IFRS.

"**Trade L/C Obligations**" means reimbursement obligations of the Issuer or the Restricted Subsidiaries in respect of letters of credit, guarantees, indemnities or other similar instruments that relate to performance guarantees and do not constitute Indebtedness.

"**Transactions**" has the meaning given to such term in this offering memorandum under the caption "*The Transactions*".

"**Unrestricted Subsidiary**" means any (1) 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 a Subsidiary of the Issuer (including any newly-acquired or newly-formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation, amalgamation or combination, but excluding the Issuer) to be an Unrestricted Subsidiary only if:

(i) such Subsidiary and its Subsidiaries do 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

(ii) such designation and the Investment of the Issuer in such Subsidiary complies with the covenant described above under the caption "*—Certain covenants—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 resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing provisions.

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 (A) no Default or Event of Default would result therefrom and (B) the Issuer could Incur at least €1.00 of additional Indebtedness pursuant to the first paragraph under the covenant described above under the caption "*—Incurrence of Indebtedness and issuance of preferred stock*", on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing provisions.

"**U.S. Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended.

"**U.S. Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Voting Stock**" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"**Weighted Average Life to Maturity**" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

"**Wholly Owned Subsidiary**" means a Restricted Subsidiary, all of the Capital Stock of which (other than director's qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

DESCRIPTION OF THE SENIOR NOTES

Galapagos Holding S.A. (formerly known as Galapagos CleanCo S.à r.l.), a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 26-28, rue Edward Steichen, L-2540 Luxembourg and being registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés Luxembourg*) under number B 186 312 (for purposes of this "*Description of the Senior Notes*", the "**Issuer**"), will issue €250 million aggregate principal amount of euro-denominated senior notes (the "**Senior Notes**") under an indenture dated as of the Issue Date (the "**Senior Notes Indenture**") among, *inter alios*, the Issuer, Deutsche Trustee Company Limited, as trustee (the "**Trustee**"), and UniCredit Bank AG, London Branch, as security agent (the "**Security Agent**"), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act.

Unless the context requires otherwise, references in this "*Description of the Senior Notes*" to the Senior Notes include any Additional Senior Notes that are issued. The terms of the Senior Notes include those set forth in the Senior Notes Indenture. The Senior Notes Indenture will not incorporate or include any of, or be subject to, the provisions of the U.S. Trust Indenture Act of 1939, as amended.

The following description is only a summary of the material provisions of the Senior Notes Indenture, the Senior Notes, the Notes Guarantees, the Senior Notes Escrow Agreement and the Security Documents and refers to the Intercreditor Agreement. It does not restate those agreements in their entirety. We urge you to read the Senior Notes Indenture, the Senior Notes Escrow Agreement, the Security Documents and the Intercreditor Agreement because they, and not this description, will define your rights as holders of the Senior Notes. Copies of the Senior Notes Indenture, the form of Senior Note, the Security Documents and the Intercreditor Agreement are available as set forth below under "*—Additional information*".

The proceeds from the Senior Notes sold on the Issue Date will be used by the Issuer, together with the proceeds from the Senior Secured Notes sold by Galapagos S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg (the "**Senior Secured Notes Issuer**"), the Equity Contribution and the Completion Date Distribution, to fund the consideration to be paid in the Acquisition, to repay certain existing indebtedness of the HX Group and to pay fees and expenses incurred in connection with the Transactions as set forth in this offering memorandum under the caption "*Use of Proceeds*". Pending consummation of the Acquisition and the satisfaction of certain other conditions as described below, the initial purchasers will, concurrently with the closing of the offering of the Senior Secured Notes on the Issue Date, deposit the gross proceeds of the offering of the Senior Notes less certain deductions with respect to fees into an escrow account (the "**Senior Notes Escrow Account**") pursuant to the terms of an escrow deed (the "**Senior Notes Escrow Agreement**") dated as of the Issue Date among, *inter alios*, the Issuer, the Trustee and Deutsche Bank AG, London Branch, as escrow agent (the "**Escrow Agent**"). If the Acquisition is not consummated or the other conditions to the release of the Senior Notes Escrowed Property have not been satisfied on or prior to March 31, 2015 (the "**Escrow Longstop Date**"), the Senior Notes will be redeemed at a price equal to 100% of the aggregate initial issue price of the Senior Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to (but not including) the Special Mandatory Redemption Date. See "*—Escrow of Proceeds; Special Mandatory Redemption*".

Upon the initial issuance of the Senior Notes, the Senior Notes will be senior obligations of the Issuer and will be guaranteed on a senior subordinated basis by the Senior Secured Notes Issuer, Galapagos BidCo S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg ("**Galapagos BidCo**"), and Blitz F14-206 GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany ("**Blitz**" and, together with the Senior Secured Notes Issuer and Galapagos BidCo, the "**Issue Date Guarantors**"), and will not be guaranteed by HX Holding GmbH, GEA Air Treatment GmbH and GEA Küba GmbH (collectively, the "**Targets**") or any of their Subsidiaries (collectively, the "**HX Group**"). Assuming the date of completion of the Acquisition (the "**Completion Date**") occurs on or prior to the Escrow Longstop Date and the escrowed funds are released from the Senior Notes Escrow Account, the Targets and certain of their Subsidiaries will become party to the Senior Notes Indenture and will guarantee the Senior Notes on a senior subordinated basis within 90 days (or 45 days in the case of entities incorporated in Germany) after the Completion Date. Following the Completion Date, the Senior Notes will be secured by the Collateral, as described below under "*—Security*". Prior to the Completion Date, we will not control the HX Group, and the HX Group will not be subject to the covenants described in this "*Description of the Senior Notes*". Accordingly, we cannot assure you that prior to the Completion Date, the HX Group will not engage in activities that would otherwise have been prohibited by the Senior Notes Indenture had those covenants been applicable to such entities after the Issue Date and prior to the Completion Date.

You can find the definitions of certain terms used in this description under the subheading "*—Certain definitions*". Certain defined terms used in this description but not defined below under "*—Certain definitions*" have the meanings assigned to them in the Senior Notes Indenture. In this "*Description of the Senior Notes*", the term "**Issuer**" refers only to Galapagos Holding S.A. and not to any of its Subsidiaries; the term "**Senior Secured Notes Issuer**" refers only to Galapagos S.A. and not to any of its Subsidiaries; and the terms "we", "our" and "us" refer to the Issuer and, where the context so requires, certain or all of its Subsidiaries.

The registered holder of a Senior Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Senior Notes Indenture.

Brief description of the Senior Notes and the Notes Guarantees

The Senior Notes

The Senior Notes will:

- be general senior obligations of the Issuer;
- be secured as set forth under "—*Security*";
- rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Senior Notes;
- rank senior in right of payment to all existing and future Indebtedness of the Issuer that is subordinated in right of payment to the Senior Notes;
- be fully and unconditionally guaranteed by the Issue Date Guarantors and, within 90 days (or 45 days in the case of entities incorporated in Germany) after the Completion Date, by the HX Guarantors;
- be structurally subordinated to all existing and future Indebtedness of the Subsidiaries of the Issuer that are not Guarantors, including obligations to trade creditors; and
- be effectively subordinated to any existing and future Indebtedness of the Issuer that is secured by Liens senior to the Liens securing the Senior Notes, or secured by property or assets that do not secure the Senior Notes, to the extent of the value of property and assets securing such Indebtedness.

The Notes Guarantees

The Senior Notes will be fully and unconditionally guaranteed by the Issue Date Guarantors on the Issue Date and by the HX Guarantors within 90 days (or 45 days in the case of entities incorporated in Germany) after the Completion Date as set forth below under "—*Notes Guarantees*", in each case subject to the guarantee limitations contained in the Senior Notes Indenture. In addition, if required by the covenant described under "—*Certain covenants—Additional Guarantees*", certain other Restricted Subsidiaries may provide a Notes Guarantee in the future.

The Notes Guarantee of each Guarantor will:

- be a general senior subordinated obligation of such Guarantor;
- be secured as set forth under "—*Security*";
- be subordinated in right of payment to all existing and future senior Indebtedness of such Guarantor, including such Guarantor's guarantee of the Senior Secured Notes and Indebtedness incurred under the Revolving Credit Facility Agreement and obligations under the Guarantee Facility Agreement;
- rank *pari passu* in right of payment with any future senior subordinated Indebtedness of such Guarantor that is not subordinated in right of payment to such Notes Guarantee;
- rank senior in right of payment to all existing and future Indebtedness of such Guarantor that is subordinated in right of payment to such Notes Guarantee; and
- be effectively subordinated to any existing and future Indebtedness of such Guarantor that is secured on a first-priority basis by property and assets that secure such Notes Guarantee on a second-priority basis (including such Guarantor's Guarantee of the Senior Secured Notes and Indebtedness incurred under the Revolving Credit Facility Agreement and the Guarantee Facility Agreement) or secured by property or assets that do not secure such Notes Guarantee, to the extent of the value of the property and assets securing such Indebtedness;
- be effectively senior to all of such Guarantor's existing and future unsecured Indebtedness to the extent of the assets securing such Notes Guarantee.

Certain of the Notes Guarantees will be limited in value. These limitations are generally related to local corporate or other law. See "*Risk Factors—Risks Related to the Notes—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*".

Not all of the Issuer's Subsidiaries will guarantee the Senior Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-Guarantor Subsidiaries, the non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Issuer or a Guarantor. As of and for the year ended December 31, 2013, the revenue, EBITDA and total assets of the HX Guarantors represented 61.2%, 64.8% and 67.4% of the revenue, EBITDA and total assets of the HX Group, respectively. These revenue and total assets figures have been calculated before intercompany eliminations.

Following the Completion Date, the operations of the Issuer will be conducted through its Subsidiaries and therefore the Issuer will depend on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Senior Notes. The Senior Notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Issuer's non-Guarantor Subsidiaries. Any right of the Issuer or any Guarantor to receive assets of any of its non-Guarantor Subsidiaries upon that non-Guarantor Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Senior Notes to participate in those assets) will be effectively subordinated to the claims of that non-Guarantor Subsidiary's creditors, except to the extent that the Issuer or such Guarantor is itself recognized as a creditor of the non-Guarantor Subsidiary, in which case the claims of the Issuer or such Guarantor, as the case may be, would still be subordinated in right of payment to any security in the assets of the non-Guarantor Subsidiary and any Indebtedness of the non-Guarantor Subsidiary senior to that held by the Issuer or such Guarantor. As of March 31, 2014, our non-Guarantor Subsidiaries had non-current financial liabilities of €9.4 million (on a non-consolidated basis). See "*Risk factors—Risks Related to the Notes—Each of the Issuers is dependent upon cash flow from subsidiaries to meet its obligations on the Notes and the Notes Guarantees*".

As of the Issue Date, the Issuer's sole Subsidiaries, the Senior Secured Notes Issuer, Galapagos BidCo and Blitz, will be "Restricted Subsidiaries" for purposes of the Senior Notes Indenture. As of the Completion Date, all of the Issuer's Subsidiaries will be "Restricted Subsidiaries" for purposes of the Senior Notes Indenture. Under certain circumstances described below under the caption "*—Certain covenants—Designation of Restricted and Unrestricted Subsidiaries*", the Issuer will be permitted to designate Restricted Subsidiaries as "Unrestricted Subsidiaries". Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Senior Notes Indenture.

Subordination on the Basis of the Intercreditor Agreement

The Notes Guarantees constitute senior subordinated indebtedness, which means that, pursuant to the terms of the Intercreditor Agreement, the Notes Guarantees rank behind, and are expressly subordinated to, all existing and future Senior Indebtedness of the Guarantors, including any obligations under the Revolving Credit Facility Agreement, the Guarantee Facility Agreement and the Senior Secured Notes and any other Indebtedness ranking *pari passu* therewith incurred after the Issue Date. The ability to take enforcement action against the Guarantors is subject to significant restrictions imposed by the Intercreditor Agreement, and potentially any Additional Intercreditor Agreements entered into after the Issue Date. In addition, the Notes Guarantees and the Collateral securing the Senior Notes and Notes Guarantees are subject to release under certain circumstances, including, but not limited to, the sale of Galapagos BidCo pursuant to an enforcement of security over shares of Galapagos BidCo taken by the Security Agent acting at the direction of an instructing group of senior secured creditors. Because of the foregoing subordination provisions, it is likely that holders of Senior Indebtedness and other creditors (including trade creditors) of the Guarantors would recover disproportionately more than the holders of the Senior Notes recover in any insolvency or similar proceeding relating to such entity. In any such case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the Senior Notes after the repayment in full of all Senior Indebtedness.

Principal and maturity

The Issuer will issue €250 million in aggregate principal amount of Senior Notes in registered form on the Issue Date. The Issuer may issue additional Senior Notes ("**Additional Senior Notes**") under the Senior Notes Indenture from time to time after the Issue Date. Any issuance of Additional Senior Notes is subject to all of the covenants in the Senior Notes Indenture, including the covenant described below under the caption "*—Certain covenants—Incurrence of Indebtedness and issuance of preferred stock*".

The Senior Notes will mature on June 15, 2022. The redemption price at maturity will equal 100% of the principal amount of the Senior Notes redeemed.

Except with respect to right of payment and optional redemption, and except as otherwise provided in the Senior Notes Indenture, the Senior Notes issued on the Issue Date and any Additional Senior Notes subsequently issued under the Senior Notes Indenture will be treated as a single class for all purposes under the Senior Notes Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase. The Additional Senior Notes will not be issued with the same identification numbers as the Senior Notes issued on the Issue Date unless the Additional Senior Notes are fungible with the Senior Notes issued on the Issue Date for U.S. federal income tax purposes. The Issuer will issue Senior Notes in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Interest

Interest on the Senior Notes will accrue at the rate of 7.000% per annum. Interest on the Senior Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on June 15 and December 15 of each year, commencing on December 15, 2014;
- be payable to the holder of record of such Senior Notes on June 1 and December 1 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on overdue principal and interest will accrue at a rate that is 1% higher than the interest rate on the Senior Notes.

The rights of holders of the Senior Notes to receive the payments of interest on such Senior Notes will be subject to applicable procedures of Euroclear and Clearstream. If a particular interest payment date is not a Business Day, then the payment date will move to the next Business Day, and the holders of the Senior Notes will not be entitled to any further interest or other payment as a result of any such delay.

Paying agent and registrar for the Senior Notes

The Issuer will maintain one or more paying agents (each, a "**Paying Agent**") for the Senior Notes in each of (i) the City of London and (ii) Luxembourg for so long as the Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange (the "**Euro MTF Market**"). The Issuer will undertake to maintain a Paying Agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to the Council Directive 2003/48/EC (as amended from time to time) or any other directive implementing the conclusions of the ECOFIN Council meeting on November 26 and 27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such directive. The initial Paying Agents will be Deutsche Bank AG, London Branch, in London and Deutsche Bank Luxembourg S.A. in Luxembourg.

The Issuer will also maintain one or more registrars (each, a "**Registrar**") and one or more transfer agents (each, a "**Transfer Agent**") for the Senior Notes. The initial Registrar and Transfer Agent will be Deutsche Bank Luxembourg S.A.

The Registrar will maintain a register (the "**Register**") reflecting ownership of Senior Notes outstanding from time to time and will make payments on and facilitate transfers of Senior Notes on behalf of the Issuer. A copy of the Register will be sent to the Issuer on the Issue Date and after any change to the Register made by the Registrar, with such copy to be held by the Issuer at its registered office in the form of a register of notes (*registre des obligations*). For purposes of Luxembourg law, ownership of the Senior Notes will be evidenced through registration from time to time in the register of notes (*registre des obligations*) held at the registered office of the Issuer, and such registration is a means of evidencing title to the Senior Notes. In the case of any discrepancies between the Register and the register of notes (*registre des obligations*) held by the Issuer at its registered office, the latter will prevail for purposes of Luxembourg law. See "*Book-Entry, Delivery and Form*".

The Issuer may change the Paying Agents, the Registrar or the Transfer Agent without prior notice to the holders of Senior Notes. For so long as the Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a daily newspaper having a general circulation in Luxembourg (which is currently expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Methods of receiving payments on the Senior Notes

Principal, interest, premium, if any, and Additional Amounts, if any, on the Global Notes will be payable at the specified office or agency of one or more Paying Agents by wire transfer of immediately available funds to the account specified by the registered holder thereof (being the common depositary for Euroclear and Clearstream or its nominee).

Principal, interest, premium, if any, 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 by wire transfer or by check mailed to the registered holder thereof.

Transfer and exchange

Senior Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Rule 144A Global Notes**"), and Senior Notes sold outside the United States pursuant to Regulation S under the U.S. 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 Rule 144A Global Notes, the "**Global Notes**").

During the 40-day distribution compliance period (as such term is defined in Rule 902 of Regulation S), book-entry interests in the Regulation S Global Notes may be transferred only to non-U.S. persons under Regulation S under the U.S. Securities Act or to persons whom the transferor reasonably believes are "qualified institutional buyers" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction.

Ownership of interests in the Global Notes (the "**Book-Entry Interests**") will be limited to Persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*". In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the Rule 144A Global Notes (the "**Rule 144A Book-Entry Interests**") may be transferred to a Person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**") only upon delivery by the transferor of a written certification (in the form provided in the Senior Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act. Regulation S Book-Entry Interests may be transferred to a Person who takes delivery in the form of Rule 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Notes Indenture) to the effect that such transfer is being made to a Person whom the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraph 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 and integral multiples of €1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates and other documentation required by the Senior Notes Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Senior Notes Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to Investors*".

Subject to the restrictions on transfer referred to above, Senior Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, to Persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Senior Notes Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange; *provided* that if the Issuer or any Guarantor is a party to the transfer or exchange, the holder will not be required to pay such Taxes.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Senior Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Senior Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Senior Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date with respect to the Senior Notes; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

The Issuer, the Trustee, the Paying Agents and the Registrars will be entitled to treat the registered holder of a Senior Note as the owner of it for all purposes.

Additional Amounts

All payments made by or on behalf of the Issuer under or with respect to the Senior Notes or any of the Guarantors with respect to any Notes Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated or organized, engaged in business for tax purposes or otherwise resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each of clauses (1) and (2), a "**Tax Jurisdiction**") will at any time be required to be made from any payments made by or on behalf of the Issuer under or with respect to the Senior Notes or any of the Guarantors with respect to any Notes Guarantee, including payments of principal, redemption price, purchase price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received in respect of such payments by each holder after such withholding or deduction (including any such withholding or deduction from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided*, *however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of a present or former connection between the holder or the beneficial owner of the Senior Notes (or between a fiduciary, settlor, beneficiary, partner of, member or shareholder of, or possessor of a power over, the relevant holder, if the relevant holder is an estate, trust, nominee, partnership, limited liability company or corporation) and the relevant Tax

Jurisdiction (including being or having been a citizen, resident or national thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein) other than any connection arising from the holding of such Senior Note, the exercise or enforcement of rights under such Senior Note or under a Notes Guarantee or the receipt of any payments in respect of such Senior Note or a Notes Guarantee;

(2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Senior Note for payment (where Senior Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Senior Note been presented on the last day of such 30 day period);

(3) any estate, inheritance, gift or similar Taxes;

(4) Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Senior Notes who would have been able to be exempted from such withholding or deduction by presenting the relevant Senior Note to another paying agent in a member state of the European Union;

(5) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the holder or beneficial owner of Senior Notes, following the Issuer's written request addressed to such holder or beneficial owner (and made at a time that would enable the holder or beneficial owner acting reasonably to comply with that request, and in all events, at least 30 days before any such withholding or deduction would be payable to the holder or beneficial owner), to comply with any certification, identification, information or other reporting requirement, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally obligated to provide such certification or documentation; and provided further that such obligation to provide certification or documentation is not the consequence of the failure of the Issuer or any of the Guarantors to make any previous registration, notice or filing with any competent authority;

(6) any Taxes not payable by deduction or withholding by the Issuer or relevant Guarantor from payments under, or with respect to, the Senior Notes or with respect to any Notes Guarantee, or Taxes imposed in any way by virtue of the Senior Notes being secured directly or indirectly by German-*situs* real estate or German rights which are subject to the civil law provisions on real estate;

(7) any Taxes to the extent such Taxes would not be imposed or withheld but for the application of section 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), as of the date of this offering memorandum, including any current or future Treasury regulations, other official interpretations thereunder, or any law implementing an intergovernmental approach thereto ("**FATCA**");

(8) any Taxes imposed on or with respect to any payment by the Issuer or Guarantor to the holder if such holder is a fiduciary or any person other than the beneficial owner of such payment to the extent that Taxes would not have been imposed on such payment had such holder been the beneficial owner of such Senior Note; or

(9) any combination of items (1) through (8) above.

In addition to the foregoing, the Issuer and the Guarantors will also pay and indemnify the holder for any present or future stamp, issue, registration, court or documentary taxes, and any other excise or property Taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, transfer, issuance or registration of any of the Senior Notes, the Senior Notes Indenture, any Notes Guarantee or any other document referred to therein or the receipt of any payments with respect thereto (limited, solely in the case of Taxes attributable to the receipt of any payments with respect thereto, to any such Taxes imposed in a Tax Jurisdiction that are not excluded under clauses (1) through (4) or (6) above or any combination thereof), and any such Taxes, charges or similar levies imposed by any jurisdiction as a result of, or in connection with, the enforcement of any of the Senior Notes or any Notes Guarantee.

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Senior Notes or any Notes Guarantee, each of the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 45 days prior to that payment date, in which case the Issuer or the relevant Guarantor will notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate must also set forth any other information necessary to enable the Paying Agents to pay such Additional Amounts to holders on the relevant payment date. The Issuer and the relevant Guarantor will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts. The Trustee will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law or otherwise required pursuant to FATCA and will timely remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee (or to a holder upon written request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee or the holder) by such entity.

Whenever in the Senior Notes Indenture or in this "*Description of the Senior Notes*" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Senior Notes or of principal, interest or any other amount payable under, or with respect to, any of the Senior Notes or any Notes Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The obligations under this covenant will survive any termination, defeasance or discharge of the Senior Notes Indenture, any transfer by a holder or beneficial owner of its Senior Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated or organized, engaged in business for tax purposes or otherwise resident for tax purposes or any jurisdiction from or through which such Person makes any payment under or with respect to the Senior Notes (or any Notes Guarantee) and any department or political subdivision thereof or therein.

Notes Guarantees

The Senior Notes will be guaranteed by the Issue Date Guarantors on the Issue Date and by the Targets and certain of their Subsidiaries (together, the "**HX Guarantors**") within 90 days (or 45 days in the case of entities incorporated in Germany) after the Completion Date.

The HX Guarantors and their respective jurisdictions of organization will be as follows:

GEA Klimatechnik GmbH	Austria
Dobbelenberg SA/NV	Belgium
GEA EcoServe België BVBA	Belgium
GEA Happel Belgium SA/NV	Belgium
Bliss & Co. Limited.	England and Wales
GEA Heat Exchangers Limited	England and Wales
GEA Searle Ltd.	England and Wales
GEA 2H Water Technologies GmbH	Germany
GEA Air Treatment GmbH	Germany
GEA Air Treatment Production GmbH	Germany
GEA Ecoflex GmbH	Germany
GEA Energietechnik GmbH	Germany
GEA Industriebeteiligungen GmbH	Germany
GEA Küba GmbH	Germany
GEA Luftkühler GmbH	Germany
GEA Maschinenkühltechnik GmbH	Germany
GEA NEMA Wärmetauscher GmbH	Germany
GEA Renzmann & Grünewald GmbH	Germany
GEA WTT GmbH	Germany
HX Holding GmbH	Germany
RSZ Rott Sarstedt Zerspanung Gesellschaft mit beschränkter Haftung	Germany
GEA EGI Energiagazdálkodási Zrt.	Hungary
GEA Bloksma B.V.	Netherlands
GEA EcoServe Nederland B.V.	Netherlands
GEA Goedhart B.V.	Netherlands
GEA Goedhart Holding B.V.	Netherlands
GEA Happel Nederland B.V.	Netherlands
GEA Polacel Cooling Towers B.V.	Netherlands
GEA Klimatyzacja Sp. z o.o.	Poland
GEA Polska Sp. z o.o.	Poland
„GEA Technika Cieplna" Sp. z o.o.	Poland
GEA 2H Water Technologies Sp. z o.o.	Poland
GEA Heat Exchangers Pte. Ltd.	Singapore
GEA Aircooled Systems Proprietary Limited.	South Africa
GEA Nilenca Proprietary Limited.	South Africa
GEA Thermal Engineering Investments Proprietary Limited	South Africa
GEA Heat Exchangers, Inc.	United States
GEA of Alabama, LLC	United States

The Notes Guarantees will be joint and several obligations of the Guarantors. The obligations of the Guarantors will be contractually limited under the Senior Notes Indenture 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. For a description of such limitations, see "*Risk Factors—Risks Related to the Notes—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*".

Release of Notes Guarantees

The Notes Guarantee of a Guarantor will be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Issuer or any Restricted Subsidiary, if the sale or other disposition is not prohibited by or does not otherwise violate the "Asset Sale" provisions of the Senior Notes Indenture;

(2) in connection with any sale or other disposition of Capital Stock of that Guarantor or any holding company of such Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition is not prohibited by or does not otherwise violate the "Asset Sale" provisions of the Senior Notes Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

(3) if the Issuer designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Notes Indenture;

(4) upon Legal Defeasance, Covenant Defeasance or satisfaction and discharge of the Senior Notes Indenture as described below under the captions "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and discharge*";

(5) upon the full and final payment and performance of all obligations of the Issuer and the Guarantors under the Senior Notes Indenture and the Senior Notes;

(6) in connection with an enforcement sale pursuant to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for under the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) as described under "*—Amendment, supplement and waiver*"; or

(8) in the case of any Restricted Subsidiary that after the Issue Date is required to guarantee the Senior Notes pursuant to the covenant described under "*—Certain covenants—Additional Guarantees*" upon the release or discharge of the Guarantee of Indebtedness by such Restricted Subsidiary which resulted in the obligation to Guarantee the Senior Notes; *provided* that such Restricted Subsidiary does not Guarantee any other Indebtedness of the Issuer or any Guarantor (unless such other Guarantee is released at the same time).

Upon any occurrence giving rise to a release of a Notes Guarantee as specified above, the Trustee will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Notes Guarantee. None of the Issuer, any Guarantor or the Trustee will be required to make a notation on the Senior Notes to reflect any such release, termination or discharge.

Security

General

On the Issue Date, the Senior Notes and the Notes Guarantees of the Issue Date Guarantors will be secured:

- on a first-priority basis, by Liens over the Senior Notes Escrowed Property and all shares of the Capital Stock and preferred equity certificates of the Senior Secured Notes Issuer, and certain bank accounts of the Issuer; and
- on a second-priority basis, by Liens over all shares of the Capital Stock and preferred equity certificates of Galapagos BidCo and all shares of the Capital Stock of Blitz and certain intercompany loan receivables of the Issuer.

On the Completion Date, the Senior Notes and the Notes Guarantees will be secured:

- on a first-priority basis, by Liens over the Senior Notes Proceeds Loan; and
- on a second-priority basis, by Liens over the Senior Secured Notes Proceeds Loans.

The Collateral described above that will be secured on a first-priority basis is referred to collectively as the "**Senior Notes Only Collateral**" and the Collateral described above that will be secured on a second-priority basis is referred to collectively as the "**Shared Collateral**".

Subject to the terms of the Senior Notes Indenture and the Intercreditor Agreement, certain other Indebtedness and liabilities will be permitted to be secured by the Collateral now and in the future. The Collateral will be pledged pursuant to the Security Documents to the Security Agent on behalf of the holders of the obligations that are secured by the Collateral, including holders of the Senior Notes. The Collateral will be contractually limited to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the security providers. For a description of such limitations, please see "*Risk Factors—Risks Related to the Notes—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*".

The obligations under the Revolving Credit Facility Agreement, the Guarantee Facility Agreement, certain Hedging Obligations and the Senior Secured Notes will be secured equally and ratably by first-priority Liens over the Shared Collateral, and the obligations under the Senior Notes and any Additional Senior Notes will be secured equally and ratably by second-priority Liens over the Shared Collateral. Under the Senior Notes Indenture, the Issuer and the Restricted Subsidiaries will be permitted to maintain Permitted Collateral Liens, and will be permitted to incur certain additional Indebtedness and other liabilities in the future which may share in the Collateral. The amount of such Permitted Collateral Liens will be limited by the covenants described under the captions "*—Certain covenants—Liens*" and "*—Certain covenants—Incurrence of Indebtedness and issuance of preferred stock*". Under certain circumstances, the amount of such additional Indebtedness and other liabilities secured by Permitted Collateral Liens could be significant.

The Security Documents will be entered into by, *inter alios*, the Security Agent or its nominees, who, with respect to the Shared Collateral, will act as Security Agent for the lenders under the Revolving Credit Facility Agreement and the Guarantee Facility Agreement, for the Trustee and the holders of the Senior Notes, for the Senior Secured Notes Trustee and the holders of the Senior Secured Notes and for the counterparties to the Hedging Obligations referred to above and, with respect to the Senior Notes Only Collateral, will act as Security Agent for the Trustee and the holders of the Secured Notes.

The proceeds from the sale of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Senior Notes. No appraisals of the Collateral have been made in connection with this offering of the Senior Notes.

Each holder of the Senior Notes, by accepting a Senior Note, shall be deemed (i) to have authorized the Trustee to enter into the Intercreditor Agreement and the Security Agent to enter into the Security Documents and the Intercreditor Agreement and (ii) to be bound thereby. Each holder of Senior Notes, by accepting a Senior Note, appoints the Trustee or the Security Agent, as the case may be, as its trustee or agent under the Security Documents and the Intercreditor Agreement and authorizes it to act as such.

Subject to the terms of the Security Documents, the Senior Notes Indenture, the Revolving Credit Facility Agreement, the Guarantee Facility Agreement, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Issuer and its Subsidiaries will have the right to remain in possession and retain exclusive control of the Collateral securing the Senior Notes and the Notes Guarantees, to freely operate the property and assets constituting Collateral, to exercise any and all voting rights and to receive and retain any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares of stock resulting from stock splits or reclassifications, rights issue, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of the shares that are part of the Collateral.

Security Documents

The relevant security provider and the Security Agent will, as applicable, enter into Security Documents defining the terms of the security interests that will secure the Senior Notes and the Notes Guarantees and the other secured obligations that will be secured by the Collateral. Subject to the terms of, and limitations under, the Security Documents, these security interests will secure the payment and performance when due of all of the obligations of the Issuer and the Guarantors under the Senior Notes, the Senior Notes Indenture, the Notes Guarantees and the Security Documents. The terms of the Security Documents will limit the enforcement generally to an effect similar to the limitations on the Notes Guarantees. See "*Risk Factors—Risks Related to the Notes—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*".

Neither the holders of the Senior Notes nor the Trustee are a party to the Security Documents. Therefore, neither the Trustee nor the holders of the Senior Notes may, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The holders of the Senior Notes may only take action through the Security Agent. The Security Agent will agree to any release of the security interest created by the Security Documents that is in accordance with the Senior Notes Indenture and the Intercreditor Agreement without requiring any consent of the holders or the Trustee. In certain circumstances, the Trustee will have the ability to direct the Security Agent to commence enforcement action under the Security Documents.

Release

The Issuer and the Guarantors will be entitled to the release of the Liens over property and other assets constituting Collateral securing the Senior Notes and the Notes Guarantees under any one or more of the following circumstances:

(1) in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets to a Person that is not (either before or after giving effect to such transaction) the Issuer or any Restricted Subsidiary, if the sale or other disposition is not prohibited by, or does not otherwise violate the "Asset Sale" provisions of the Senior Notes Indenture;

(2) in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Senior Notes Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Notes Indenture, the release of the property and assets of such Restricted Subsidiary;

(4) upon Legal Defeasance, Covenant Defeasance or satisfaction and discharge of the Senior Notes Indenture as provided below under the captions *"—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and discharge*";

(5) upon the full and final payment and performance of all obligations of the Issuer and the Guarantors under the Senior Notes Indenture and the Senior Notes;

(6) in connection with an enforcement sale pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for under the Intercreditor Agreement or any Additional Intercreditor Agreement; or

(7) as described under "*—Amendment, supplement and waiver*".

In addition, the Liens created by the Security Documents will be released (a) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement (provided that if such release is in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets to the Issuer or any Restricted Subsidiary and is not in connection with an enforcement action taken by the senior creditors as provided under the Intercreditor Agreement or such Additional Intercreditor Agreement, the property or assets so transferred become subject to a Lien in favor of the Senior Notes and the Notes Guarantees immediately following such sale, assignment, transfer, conveyance or other disposition) and (b) as may be permitted by the covenant described under "*Certain covenants—Impairment of security interest*". 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.

The Security Agent and the Trustee will (but only to the extent actually required) take all necessary action reasonably required to effectuate any release of Collateral securing the Senior Notes and the Notes Guarantees, in accordance with the provisions of the Senior Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be affected by the Security Agent without the consent of the holder or any action on the part of the Trustee.

Intercreditor Agreement

On the Issue Date, the Trustee will enter into an Intercreditor Agreement with, among others, the agents under the Revolving Credit Facility Agreement and the Guarantee Facility Agreement and the counterparties to certain Hedging Obligations, as described under "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

Limitations on Enforcement of Security Interest

The Intercreditor Agreement restricts the ability of the Trustee or the holders of Senior Notes to instruct the Security Agent to take enforcement action in relation to the Shared Collateral in certain circumstances upon enforcement by the lenders under the Revolving Credit Facility Agreement and the Guarantee Facility Agreement. In general, the rights of the Security Agent (acting on its own behalf or on behalf of the holders of the Senior Notes) to take enforcement action under the Security Documents with respect to the Shared Collateral are subject to certain standstill periods and payment blockage and other limitations on enforcement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*". The restrictions under the Intercreditor Agreement do not restrict the ability of the Senior Notes the Security Agent (acting on its own behalf or on behalf of the holders of the Senior Notes) to take enforcement action under the Security Documents with respect to the Senior Notes Only Collateral or against the Issuer in respect of its obligations under the Senior Notes Indenture.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of the Senior Notes on the Issue Date, the Issuer will enter into the Senior Notes Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the initial purchasers will deposit with the Escrow Agent an amount equal to the gross proceeds of the offering of the Senior Notes sold on the Issue Date less certain deductions with respect to fees into the Senior Notes Escrow Account. The Senior Notes Escrow Account will be pledged on a first-priority basis in favor of the Trustee for the benefit of the holders of the Senior Notes, pursuant to an escrow charge dated the Issue Date between the Issuer and the Trustee (the "**Senior Notes Escrow Charge**"). The initial funds deposited in the Senior

Notes Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Senior Notes Escrow Account (less any property and/or funds paid in accordance with the Senior Notes Escrow Agreement) are referred to, collectively, as the "**Senior Notes Escrowed Property**".

In order to cause the Escrow Agent to release the Senior Notes Escrowed Property to the Issuer (the "**Release**"), the Escrow Agent and the Trustee shall have received from the Issuer, at a time that is on or before the Escrow Longstop Date, an Officer's Certificate to the effect that:

- the Acquisition will be consummated on the terms set forth in the Acquisition Agreement, promptly following release of the Senior Notes Escrowed Property, except for any changes or other modifications that will not, individually or when taken as whole, have a materially adverse effect on the holders of the Senior Notes;
- the Transactions will be completed substantially as described in this offering memorandum, including with respect to the sections of this offering memorandum entitled "*Use of Proceeds*" and "*The Transactions*".
- immediately after consummation of the Acquisition, the Issuer will own, directly or indirectly, the entire share capital of the Targets; and
- as of the Completion Date, there is no Default or Event of Default under clause (9) of the first paragraph under the caption "*—Events of Default*" below.

The Release shall occur promptly upon the satisfaction of the conditions set forth above. The Escrow Agent and the Trustee shall be entitled to rely on the Officer's Certificate in relation to the satisfaction of such conditions. Upon the Release, the Senior Notes Escrow Account shall be reduced to zero, and the Senior Notes Escrowed Property shall be paid out in accordance with the Senior Notes Escrow Agreement.

In the event that (a) the Completion Date and the Release do 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 by the Escrow Longstop Date, (c) the Acquisition Agreement terminates at any time prior to the Escrow Longstop Date, (d) the Equity Investors cease to beneficially own and control a majority of the issued and outstanding Capital Stock of the Issuer or the Senior Secured Notes Issuer or (e) a Default or Event of Default arises under clause (9) of the first paragraph under the heading titled "*Events of Default*" on or prior to the Escrow Longstop Date (the date of any such event being the "**Special Termination Date**"), the Issuer will redeem all of the Senior Notes (the "**Special Mandatory Redemption**") at a price (the "**Special Mandatory Redemption Price**") equal to 100% of the aggregate issue price of the Senior Notes, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to (but not including) the Special Mandatory Redemption Date (subject to the rights of holders of Senior Notes on the relevant record date to receive interest on the relevant interest payment date).

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 and the Escrow Agent, and will provide that the Senior 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 Senior Notes Escrow Agreement (the "**Special Mandatory Redemption Date**"). On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the principal Paying Agent for payment to each holder of Senior Notes the Special Mandatory Redemption Price for such holder's Senior Notes and, concurrently with the payment to such holders, deliver any excess Senior Notes Escrowed Property to the Issuer.

In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Senior Notes Escrowed Property, one or more of the Equity Investors will be required to fund the accrued and unpaid interest, and Additional Amounts, if any, owing to the holders of the Senior Notes, together with the amount of any fees deducted from the gross proceeds of the offering on the Issue Date, pursuant to a guarantee provided by such Equity Investors. See "*Risk Factors—Risks Related to the Transactions—If the conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*".

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 Senior Notes a security interest over the Senior Notes Escrow Account. Receipt by the Trustee of either an Officer's Certificate for the release or a notice of Special Mandatory Redemption (provided funds sufficient to pay the Special Mandatory Redemption Price are in the Senior Notes Escrow Account) shall constitute deemed consent by the Trustee for the release of the Senior Notes Escrowed Property from the Senior Notes Escrow Charge.

If, at the time of such Special Mandatory Redemption, the Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish a public announcement that the Special Mandatory Redemption has occurred and any relevant details relating to such Special Mandatory Redemption in a leading daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Optional redemption

At any time prior to June 15 , 2017, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Senior Notes issued under the Senior Notes Indenture, upon not less than 30 nor more than 60 days' notice to the holders thereof, at a redemption price equal to 107.000% of the principal amount of the Senior Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to (but not including) the date of redemption (subject to the rights of holders of Senior Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of an Equity Offering of (i) the Issuer or (ii) any Parent Entity to the extent the proceeds from such Equity Offering are contributed to the Issuer's common equity capital or are paid to the Issuer as consideration for the issuance of ordinary shares of the Issuer or are loaned to the Issuer as Subordinated Shareholder Debt; *provided* that:

(1) at least 60% of the aggregate principal amount of the Senior Notes (in each case calculated after giving effect to any issuance of Additional Senior Notes) originally issued under the Senior Notes Indenture (excluding Senior Notes held by the Issuer and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 120 days of the date of the closing of such Equity Offering.

In addition, at any time prior to June 15, 2017, the Issuer may on any one or more occasions redeem all or a part of the Senior Notes, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed, plus the Applicable Premium as of the date of redemption, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of holders of Senior Notes on the relevant record date to receive interest due on the relevant interest payment date).

Except pursuant to the preceding two paragraphs and except as described under *"—Redemption for changes in taxes*", the Senior Notes will not be redeemable at the Issuer's option prior to June 15, 2017.

On or after June 15, 2017, the Issuer may on any one or more occasions redeem all or a part of the Senior Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Senior Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on June 15 of the years indicated below (subject to the rights of holders of Senior Notes on the relevant record date to receive interest on the relevant interest payment date):

Year	Redemption Price
2017	105.250%
2018	103.500%
2019	101.750%
2020 and thereafter	100.000%

The Issuer will give the Trustee notice of any contemplated redemption at least five Business Days prior to the notice being given to the holders of the Senior Notes.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Senior Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

Redemption for changes in Taxes

The Issuer may redeem any series of the Senior Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of the relevant series of Senior Notes (which notice will be irrevocable and given in accordance with the procedures described in "*—Selection and notice*"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "**Tax Redemption Date**") and all Additional Amounts (if any) then due and which will become due on or before the Tax Redemption Date as a result of the redemption or otherwise (subject to the rights of holders of such Senior Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the relevant series of Senior Notes, the Issuer is or would be required to pay Additional Amounts or a Guarantor would be unable to procure payment by the Issuer (or another Guarantor that would be able to make the relevant payment without paying Additional Amounts) and, in making payment itself, the relevant Guarantor would be required to pay Additional Amounts, and the Issuer or the relevant Guarantor, as applicable, cannot avoid any such payment obligation by taking reasonable measures available (including making payment through a Paying Agent located in another jurisdiction), and the requirement arises as a result of:

(1) any amendment to, or change in, the laws, treaties or any regulations or rulings promulgated thereunder of a relevant Tax Jurisdiction which change or amendment has not been publicly announced before and which becomes effective on or after the date of this offering memorandum (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of this offering memorandum, such later date); or

(2) any amendment to, or change in, an official written interpretation or application of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change has not been publicly announced before and which becomes effective on or after the date of this offering memorandum (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of this offering memorandum, such later date) (each of the foregoing clauses (1) and (2), a "**Change in Tax Law**").

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer or the Guarantor, as applicable, would be obligated to make such payment or withholding if a payment in respect of the relevant series of Senior Notes were then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. At least five business days prior to the publication or, where relevant, mailing of any notice of redemption of any series of Senior Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (i) an opinion of independent tax counsel (the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld)) to the effect that there has been such Change in Tax Law which would entitle the Issuer to redeem such Senior Notes under the Senior Notes Indenture and (ii) an Officer's Certificate to the effect that the Issuer or the Guarantor, as applicable, cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it.

The Trustee will accept and will be entitled to rely on such Officer's Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

Mandatory redemption

Other than in connection with a Special Mandatory Redemption, the Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Senior Notes.

Repurchase at the option of holders

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 of Senior Notes will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of that holder's Senior Notes pursuant to a Change of Control Offer on the terms set forth in the Senior Notes Indenture. In the Change of Control Offer, the Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Senior Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (the "**Change of Control Payment**") (subject to the rights of holders of Senior Notes on the relevant record date to receive interest due on the relevant interest payment date).

Within 30 days following any Change of Control, the Issuer will mail a notice to each holder of the Senior Notes at such holder's registered address or otherwise deliver a notice in accordance with the procedures described under "*—Selection and notice*", stating that a Change of Control Offer is being made and offering to repurchase Senior Notes on the date (the "**Change of Control Payment Date**") specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Senior Notes Indenture and described in such notice. The Issuer will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act, and any other securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Senior Notes as a result of a Change of Control Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the Change of Control provisions of the Senior Notes Indenture, the Issuer will comply with any applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Notes Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Senior Notes or portions of Senior Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Senior Notes or portions of Senior Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Senior Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Senior Notes or portions of Senior Notes being purchased by the Issuer.

The Paying Agents will promptly mail (or cause to be delivered) to each holder of Senior Notes properly tendered the Change of Control Payment for such Senior Notes, and the Trustee (or its authenticating agent) will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Senior Note equal in principal amount to any unpurchased portion of the Senior Notes surrendered, if any. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date. If and for so long as the Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish a public announcement with respect to the results of any Change of Control Offer in a leading daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Senior Notes Indenture are applicable. Except as described above with respect to a Change of Control, the Senior Notes Indenture does not contain provisions that permit the holders of the Senior Notes to require that the Issuer repurchase or redeem the Senior Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Senior Notes Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) a notice of redemption has been given with respect to all of the Senior Notes pursuant to the Senior Notes Indenture as described above under the caption "*—Optional redemption*", unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Issuer's ability to repurchase the Senior Notes pursuant to the 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 would constitute a mandatory prepayment event and/or a default due to a breach of undertaking under the Revolving Credit Facility Agreement and the Guarantee Facility Agreement and would require the Senior Secured Notes Issuer to offer to repurchase all of the Senior Secured Notes. In addition, certain events that may constitute a change of control under the Revolving Credit Facility Agreement or the Guarantee Facility Agreement may not constitute a Change of Control under the Senior Notes Indenture. The future Indebtedness of the Issuer and 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 the Senior Notes of their right to require the Issuer to repurchase the Senior Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the ability of the Issuer to pay cash to the holders of the Senior Notes upon a repurchase may be limited by its then existing financial resources, and sufficient funds may not be available when necessary to make any required repurchases. We expect that we would require third party financing to make an offer to repurchase the Senior Notes upon a Change of Control. We cannot assure you that we would be able to obtain such financing. Please see "*Risk Factors—Risks Related to the Notes—We may not have the ability to raise the funds necessary to finance an offer to repurchase the Senior Secured Notes and the Senior Notes upon the occurrence of certain events constituting a change of control as required by each Indenture and the change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events*".

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Issuer and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Senior Notes to require the Issuer to repurchase its Senior Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Subsidiaries taken as a whole to another Person or group may be uncertain.

The provisions under the Senior Notes Indenture relating to the Issuer's obligation to make a Change of Control Offer may be waived or modified with the consent of the holders of a majority in principal amount of the Senior Notes prior to the occurrence of the Change of Control.

Asset Sales

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, consummate an Asset Sale unless:

(1) the Issuer (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Issuer or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

   (a) any liabilities, as recorded on the balance sheet of the Issuer or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Senior Notes or any Notes Guarantee), that are assumed by the transferee of any such assets and as a result of which the Issuer and the Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities;

   (b) any securities, notes or other obligations received by the Issuer or any such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 90 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;

(c) any Capital Stock or assets of the kind referred to in clauses (1)(b) or (1)(e) of the next paragraph of this covenant;

(d) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Sale having an aggregate Fair Market Value, when taken together with all other Designated Non-Cash Consideration received pursuant to this clause (d) that is at that time outstanding, not to exceed the greater of €20.0 million and 1.4% of Total Assets at the time of the receipt of such Designated Non-Cash Consideration (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value);

(e) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Issuer and each Restricted Subsidiary are released from any Guarantee of such Indebtedness in connection with such Asset Sale; and

(f) consideration consisting of Indebtedness of the Issuer or any Guarantor (other than Indebtedness that by its terms is subordinated to the Senior Notes or any Notes Guarantee) received from Persons who are not the Issuer or a Restricted Subsidiary, to the extent that such Indebtedness is retired by the Issuer or the applicable Guarantor.

Within 395 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer (or the applicable Restricted Subsidiary, as the case may be) may:

(1) apply such Net Proceeds (at the option of the Issuer or Restricted Subsidiary):

(a) to repurchase, prepay or redeem (i) Senior Indebtedness of the Issuer or any Guarantor that is not subordinated in right of payment to the Senior Notes or the Notes Guarantees, (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor or (iii) any Indebtedness that is secured by a Lien on assets or property which do not constitute Collateral; *provided* that, in connection with any repurchase, prepayment or redemption of Indebtedness pursuant to this clause (a), the Issuer or such Restricted Subsidiary will retire such Indebtedness and, if the Indebtedness being repaid is revolving credit Indebtedness, will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so repurchased, repaid or redeemed;

(b) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;

(c) to make a capital expenditure;

(d) to purchase the Senior Notes pursuant to an offer to all holders of Senior Notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the rights of holders of the Senior Notes of record on the relevant record date to receive interest due on the relevant interest payment date) (a "**Senior Notes Offer**");

(e) to acquire other assets (other than Capital Stock) not classified as current assets under IFRS that are used or useful in a Permitted Business; or

(f) any combination of the foregoing; or

(2) enter into a binding commitment to apply the Net Proceeds pursuant to clauses (b), (c) or (e) of paragraph (1) above; *provided* that such binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated and (y) the 180th day following the expiration of the aforementioned 395-day period.

Pending the final application of any Net Proceeds, the Issuer (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Senior Notes Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "**Excess Proceeds**". Subject to the Intercreditor Agreement, when the aggregate amount of Excess Proceeds exceeds €20.0 million, within ten Business Days thereof, the Issuer will make an offer (an "**Asset Sale Offer**") to all holders of Senior Notes and may make an offer to all holders of other Indebtedness that is *pari passu* with the Senior Notes or any Notes Guarantees to purchase, prepay or redeem the maximum principal amount of Senior Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Senior Notes in any Asset Sale Offer will be equal to 100% of the principal amount thereof and the offer price for such *pari passu* Indebtedness will be no greater than 100% of the principal amount thereof, in each case plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, prepayment or redemption (and subject to the rights of holders of Senior Notes on the relevant record date to receive interest due on the relevant interest payment date), and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer and the Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by the Senior Notes Indenture. If the aggregate principal amount of Senior Notes and other *pari passu* Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds or if the aggregate principal amount of Senior Notes tendered pursuant to a Senior Notes Offer exceeds the amount of the Net Proceeds so applied, the Trustee will select the Senior Notes and such other *pari passu* Indebtedness, if applicable, to be purchased on a *pro rata* basis or in accordance with the procedures of Euroclear or Clearstream (or in the manner described under "*—Selection and notice*"), based on the amounts tendered or required to be prepaid or redeemed. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into euro-equivalent determined as of the Business Day immediately prior to the date on which the Asset Sale Offer is announced. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Issuer will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Senior Notes pursuant to a Senior Notes Offer or an Asset Sale Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the Asset Sale provisions of the Senior Notes Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the Senior Notes Indenture by virtue of such compliance.

Selection and Notice

Notices of redemption may be made subject to conditions precedent.

If less than all of the Senior Notes are to be redeemed at any time, the Trustee will select Senior Notes for redemption on a *pro rata* basis (or, in the case of Senior Notes issued in global form as discussed under "*Book-entry, Delivery and Form*", based on a method that most nearly approximates a *pro rata* selection as the Trustee deems fair and appropriate, including by use of a pool factor), unless otherwise required by law or applicable stock exchange or depositary requirements. The Trustee will not be liable for selections made by it in accordance with this paragraph.

No Senior Notes of €100,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Senior Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Senior Notes or a satisfaction and discharge of the Senior Notes Indenture.

If any Senior Note is to be redeemed in part only, the notice of redemption that relates to that Senior Note will state the portion of the principal amount of that Senior Note that is to be redeemed. A new Senior Note in principal amount equal to the unredeemed portion of the original Senior Note will be issued in the name of the holder of such Senior Note upon cancellation of the original Senior Note. Senior Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior Notes or portions of Senior Notes called for redemption.

For Senior Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, any such notice to the holders of the relevant Senior Notes shall also be published in a newspaper having a general circulation in Luxembourg (which is currently expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*) and, in connection with any redemption, the Issuer will notify the Luxembourg Stock Exchange of any change in the principal amount of Senior Notes outstanding.

Certain covenants

Incurrence of Indebtedness and issuance of preferred stock

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise (collectively, "**incur**"), with respect to any Indebtedness (including Acquired Debt), and the Issuer will not and will not permit any Guarantor to issue any Disqualified Stock and will not permit any Restricted Subsidiary to issue any shares of preferred stock; *provided*, *however*, that the Issuer may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Guarantors may incur Indebtedness (including Acquired Debt) or issue preferred stock, if the Fixed Charge Coverage 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 or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.0 to 1.0, in each case, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom) as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such four-quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "**Permitted Debt**"):

(1) the incurrence by the Issuer and any Guarantor of (a) Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1)(a) not to exceed €100.0 million, *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1)(a) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing and (b) Indebtedness under Permitted L/C Facilities;

(2) Indebtedness (other than Indebtedness described in clauses (1), (3), (6) and (7) of this definition of Permitted Debt) of the Issuer or any Restricted Subsidiary outstanding on the Completion Date after giving effect to the Transactions (as described under the section of this offering memorandum entitled "*The Transactions*"), including the Senior Secured Notes and the Guarantees of the Senior Secured Notes issued on the Issue Date;

(3) the incurrence by the Issuer and the Guarantors of Indebtedness represented by the Senior Notes and the related Notes Guarantees to be issued on the Issue Date;

(4) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property (real or personal), plant or equipment (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets) used in the business of the Issuer or any Restricted Subsidiary, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed €25.0 million at any time outstanding;

(5) the incurrence by the Issuer or any Restricted Subsidiary of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Senior Notes Indenture to be incurred under the first paragraph of this covenant or clauses (2), (3), (5) or (14) of this paragraph;

(6) the incurrence by the Issuer or any Restricted Subsidiary of intercompany Indebtedness between or among the Issuer and any such Restricted Subsidiary and any other Restricted Subsidiary; *provided* that:

    (a) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Senior Notes, in the case of the Issuer, or the Notes Guarantee, in the case of a Guarantor; and

    (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any Restricted Subsidiary to the Issuer or to any Restricted Subsidiary of preferred stock; *provided* that:

    (a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Issuer or any Restricted Subsidiary; and

    (b) any sale or other transfer of any such preferred stock to a Person that is not either the Issuer or a Restricted Subsidiary, will be deemed, in the case of each of clauses (a) and (b), to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence by the Issuer or any Restricted Subsidiary of Hedging Obligations in the ordinary course of business and not for speculative purposes;

(9) the Guarantee by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Senior Notes or a Notes Guarantee, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(10) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness in respect of (i) workers' compensation claims, bonus and company pension schemes, self-insurance obligations, bankers' acceptances, customs, VAT and other tax guarantees, in each case incurred in the ordinary course of business and not in connection with the borrowing of money and (ii) any customary cash management, cash pooling or netting or setting-off arrangements incurred in the ordinary course of business;

(11) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within 30 Business Days;

(12) the incurrence by the Issuer and the Restricted Subsidiaries of Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Equity Interests of a Subsidiary, *provided* that the maximum liability of the Issuer and the 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 the Restricted Subsidiaries in connection with such disposition;

(13) Indebtedness of the Issuer or any Restricted Subsidiary in respect of Management Advances;

(14) Indebtedness of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary (other than Indebtedness incurred to provide all or any portion of the funds used 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 any Restricted Subsidiary); *provided*, *however*, with respect to this clause (14), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred (x) the Issuer would have been able to incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (14) or (y) the Fixed Charge Coverage Ratio of the Issuer would not be less than it was immediately prior to giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (14);

(15) Indebtedness of the Issuer or any Restricted Subsidiary in connection with any Qualified Receivables Transaction; and

(16) the incurrence by the Issuer or any Restricted Subsidiary of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, not to exceed €50.0 million.

Notwithstanding the foregoing, Restricted Subsidiaries that are not Guarantors may not incur Indebtedness or issue Disqualified Stock or preferred stock pursuant to the first paragraph of this covenant or under clauses (1), (4), (5), (8) or (16) of the definition of Permitted Debt if, after giving *pro forma* effect to such incurrence or issuance (including a *pro forma* application of the net proceeds therefrom), the aggregate amount of Indebtedness and Disqualified Stock and preferred stock of Restricted Subsidiaries that are not Guarantors incurred or issued under the first paragraph or this covenant and pursuant to clauses (1), (4), (5), (8) and (16) of the definition of Permitted Debt, collectively, would exceed €35.0 million.

For purposes of determining compliance with this "*Incurrence of Indebtedness and issuance of preferred stock*" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (16) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Issuer will be permitted to classify such item of Indebtedness on the date of its incurrence or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant; *provided*, *however*, that Indebtedness incurred under clause (1) of the definition of Permitted Debt may not be reclassified.

The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in Fixed Charges of the Issuer as accrued.

For purposes of determining compliance with any euro-denominated restriction on the incurrence of Indebtedness, the euro-equivalent principal amount of Indebtedness denominated in a different currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness incurred under a revolving credit facility; *provided*, *however*, that (i) if such Indebtedness denominated in non-euro currency is subject to a Currency Exchange Protection Agreement with respect to euro, the amount of such Indebtedness expressed in euro will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the euro-equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date. The principal amount of any refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the euro-equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness incurred under a revolving credit facility, except that:

(1) if such euro-equivalent was determined based on a Currency Exchange Protection Agreement, the Refinancing Indebtedness will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and

(2) if the principal amount of the refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, the euro-equivalent of such excess will be determined on the date such refinancing Indebtedness is being incurred.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

(2) in the case of Indebtedness incurred pursuant to clause (1)(b) of the definition of Permitted Debt, the aggregate amount of drawings under Permitted L/C Facilities as of such date that are due to be but have not been reimbursed, less the amount of Trade L/C Obligations outstanding as of such date under such Permitted L/C Facilities; and

(3) the principal amount of the Indebtedness, in the case of any other Indebtedness.

Restricted payments

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any Restricted Subsidiary's Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any Restricted Subsidiary) or to the direct or indirect holders of the Issuer's or any Restricted Subsidiary's Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Issuer and other than dividends or distributions payable to the Issuer or any Restricted Subsidiary);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer or any Parent Entity;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuer or any Guarantor that is contractually subordinated in right of payment to the Senior Notes or to any Notes Guarantee (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries or among Restricted Subsidiaries of the Issuer), except (i) a payment of interest or principal at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition or retirement of Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Senior Notes or to any Notes Guarantee purchased in anticipation of satisfying a scheduled sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition or retirement;

(4) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire for value any Subordinated Shareholder Debt; or

(5) make any Restricted Investment,

(all such payments and other actions set forth in clauses (1) through (5) above being collectively referred to as "**Restricted Payments**"), unless, at the time of any such Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(b) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least €1.00 of additional Indebtedness pursuant to the first paragraph of the covenant described under the caption "*—Incurrence of Indebtedness and issuance of preferred stock*"; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and the Restricted Subsidiaries since the Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (5), (6), (7), (8), (10), (11), (12), (13), (14), (15) and (19) of the next succeeding paragraph), is less than the sum, without duplication, of:

(i) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from the first day of the fiscal quarter commencing immediately prior to the Issue Date to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(ii) 100% of the aggregate net cash proceeds and the Fair Market Value of marketable securities received by the Issuer since the Completion Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Issuer (other than Disqualified Stock and Excluded Contributions) or from the issue or sale of convertible or exchangeable Disqualified Stock of the Issuer or convertible or exchangeable debt securities of the Issuer, in each case that have been converted into or exchanged for Equity Interests of the Issuer (other than Equity Interests and convertible or exchangeable Disqualified Stock or debt securities sold to a Subsidiary of the Issuer) or from the issuance or sale of Subordinated Shareholder Debt (other than an issuance or sale to a Restricted Subsidiary); *plus*

(iii) to the extent that any Restricted Investment that was made after the Issue Date is (a) sold, disposed of or otherwise cancelled, liquidated or repaid, 100% of the aggregate amount received in cash and the Fair Market Value of the property and marketable securities received by the Issuer or any Restricted Subsidiary (other than from a Person that is the Issuer or a Restricted Subsidiary), or (b) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Issuer and the Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*

(iv) to the extent that any Unrestricted Subsidiary designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged or consolidated into the Issuer or a Restricted Subsidiary, or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, the Fair Market Value of the property received by the Issuer or Restricted Subsidiary or the Issuer's Restricted Investment in such Subsidiary as of the date of such redesignation, merger, consolidation or transfer of assets, to the extent such Investments reduced the Restricted Payments capacity under this clause (c) and were not previously repaid or otherwise reduced; *plus*

(v) upon the full and unconditional release of a Restricted Investment that is a Guarantee made by the Issuer or a Restricted Subsidiary to any Person after the Issue Date, an amount equal to the amount of such Guarantee; *plus*

(vi) 100% of any cash dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Issuer for such period,

provided, that upon a Specified Change of Control Event, all amounts calculated pursuant to this clause (c) shall be reset at zero and all references to the Issue Date or the Completion Date in this clause (c) shall thereafter refer to the date of such Specified Change of Control Event.

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Senior Notes Indenture;

(2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Equity Interests of the Issuer (other than Disqualified Stock), Subordinated Shareholder Debt or from the substantially concurrent contribution of common equity capital to the Issuer; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from the calculation of amounts under clause (c)(ii) of the preceding paragraph, shall not constitute Excluded Contributions and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "Optional Redemption" provisions of the Senior Notes Indenture;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Senior Notes or to any Notes Guarantee with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(4) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Issuer or any Restricted Subsidiary held by any current or former officer, director or employee of the Issuer or any Restricted Subsidiary pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement, employment agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed €3.0 million in any calendar year; *provided further*, that such amount in any calendar year may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of the Issuer or a Restricted Subsidiary received by the Issuer or a Restricted Subsidiary during such calendar year, in each case to members of management or directors of the Issuer, any Restricted Subsidiary or any of its direct or indirect parent companies to the extent the cash proceeds from the sale of Equity Interests have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clause (2) of this paragraph;

(5) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(6) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or any preferred stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant described under the caption "*—Certain covenants—Incurrence of Indebtedness and issuance of preferred stock*";

(7) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any Restricted Subsidiary to allow the payment of cash in lieu of the issuance of fractional shares upon (a) the exercise of options or warrants or (b) the conversion or exchange of Capital Stock of any such Person;

(8) payments pursuant to any tax sharing agreement or arrangement among the Issuer and its Subsidiaries and other Persons with which the Issuer or any of its Subsidiaries is required or permitted to file a consolidated tax return or with which the Issuer or any Restricted Subsidiary is a part of a consolidated group for tax purposes or for any tax advantageous group contribution made pursuant to applicable legislation; *provided*, *however*, that such payments will not exceed the amount of tax that the Issuer and its Restricted Subsidiaries would owe on a standalone basis and the related tax liabilities of the Issuer and its Restricted Subsidiaries are relieved thereby;

(9) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent Entity to pay, dividends on the common stock or common equity interests of the Issuer or any Parent Entity following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (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 through an Excluded Contribution) of the Issuer or contributed as Subordinated Shareholder Debt to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 3.25 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (ii) after giving *pro forma* effect to such loans, advances, dividends and distributions, the Consolidated Leverage Ratio shall be equal to or less than 3.75 to 1.0;

(10) advances or loans to (a) any future, present or former officer, director or employee of the Issuer or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Issuer (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 Equity Interests of the Issuer (other than Disqualified Stock); *provided* that the total aggregate amount of Restricted Payments made under this clause (10) does not exceed €5.0 million in any calendar year;

(11) 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 Equity Interests (other than the Issuer or a Restricted Subsidiary) on no more than a *pro rata* basis;

(12) so long as no Default or Event of Default has occurred and is continuing, the payment of Management Fees;

(13) Permitted Parent Payments;

(14) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Guarantor that is subordinated in right of payment to the Senior Notes or any Notes Guarantee (other than any Indebtedness so subordinated and held by Affiliates of the Issuer) upon a Change of Control or Asset Sale to the extent required by the agreements governing such Indebtedness at a purchase price not greater than 101% of the principal amount of such Indebtedness, in the case of a Change of Control, and 100%, in the case of an Asset Sale, but only if the Issuer has complied with its obligations under the covenants described under "*Repurchase at the option of holders—Change of Control*" and "*Repurchase at the option of holders—Asset Sales*" and the Issuer repurchased all Senior Notes tendered pursuant to the offer required by such covenants prior to offering to purchase, purchasing or repaying such Indebtedness;

(15) Restricted Payments that are made with Excluded Contributions;

(16) the payment of any fees and purchases of Receivables and related assets in connection with a Qualified Receivables Transaction;

(17) so long as no Default or Event of Default has occurred and is continuing, (i) dividends, distributions, loans or other payments to any Parent Entity in an aggregate amount not to exceed €50.0 million since the Issue Date; *provided* that, on the date of any such dividend, distribution, loan or other payment, the Consolidated Leverage Ratio does not exceed 3.25 to 1.0 on a *pro forma* basis after giving effect thereto, and (ii) any dividends, distributions, loans or other payments to any Parent Entity; *provided* that, on the date of any such dividend, distribution, loan or other payment, the Consolidated Leverage Ratio does not exceed 3.0 to 1.0 on a *pro forma* basis after giving effect thereto;

(18) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed €20.0 million since the Issue Date; or

(19) payment of the Completion Date Distribution.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the assets or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

Anti-layering

The Issuer will not incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer unless such Indebtedness is also contractually subordinated in right of payment to the Senior Notes on substantially identical terms and no Guarantor will incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer unless such Indebtedness is also contractually subordinated in right of payment to such Guarantor's Notes Guarantee on substantially identical terms; *provided*, *however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured 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 under Credit Facilities or as set forth in the Intercreditor Agreement.

Liens

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien securing Indebtedness or Trade L/C Obligations on any of its property or assets (including Capital Stock of any other Person), whether owned on the date of the Senior Notes Indenture or thereafter acquired, except (1) in the case of any property or asset that does not constitute Collateral, (a) Permitted Liens or (b) Liens that are not Permitted Liens, to the extent that all payments due under the Senior Notes Indenture, the Senior Notes and the Notes Guarantees are secured on an equal and ratable *pari passu* basis with the obligations so secured (and if such obligations so secured are subordinated in right of payment to either the Senior Notes or any Notes Guarantee, on a senior priority basis) until such time as such obligations are no longer secured by a Lien and (2) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Senior Notes or any Notes Guarantee pursuant to the preceding clause (1)(b) will be automatically and unconditionally released and discharged upon (i) the release and discharge of the initial Lien to which it relates or (ii) as otherwise provided under *"—Security—Release*".

Dividend and other payment restrictions affecting Restricted Subsidiaries

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any Restricted Subsidiary;

(2) make loans or advances to the Issuer or any Restricted Subsidiary; or

(3) sell, lease or transfer any of its properties or assets to the Issuer or any Restricted Subsidiary,

provided, however, 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 period to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness incurred by the Issuer or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Indebtedness (including the Revolving Credit Facility Agreement and the Guarantee Facility Agreement) as in effect on the Issue Date, in the case of the Issue Date Guarantors, or the Completion Date, in the case of the HX Group, and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date or the Completion Date, as applicable;

(2) the Senior Notes Indenture, the Senior Notes, the Notes Guarantees, the Senior Secured Notes Indenture, the Senior Secured Notes, the Guarantees of the Senior Secured Notes, the Intercreditor Agreement, the Security Documents and any Additional Intercreditor Agreement;

(3) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Incurrence of Indebtedness and issuance of preferred stock*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the holders of the Senior Notes than (i) the encumbrances and restrictions, taken as a whole, contained in the Senior Notes Indenture, the Senior Notes, the Notes Guarantees and the Intercreditor Agreement, in each case as in effect on the Issue Date, and any Additional Intercreditor Agreement (as determined in good faith by the Issuer) and (ii) is customary in comparable financings (as determined in good faith by the Issuer);

(4) applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit;

(5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Issuer or any Restricted Subsidiary as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Senior Notes Indenture to be incurred;

(6) customary non-assignment and similar provisions in contracts, leases and licenses entered into in the ordinary course of business;

(7) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased;

(8) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(10) Liens permitted to be incurred under the provisions of the covenant described above under the caption "*—Liens*" that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) customary provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements in the ordinary course of business (including agreements entered into in connection with a Restricted Investment), which limitation is applicable only to the assets that are the subject of such agreements;

(12) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business;

(13) any mortgage financing or mortgage refinancing that imposes restrictions on the real property securing such Indebtedness;

(14) any encumbrance or restriction effected in connection with a Qualified Receivables Transaction; and

(15) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (14), or in this clause (15); *provided* that the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced.

Merger, consolidation or sale of assets

The Issuer

The Issuer will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer is the surviving corporation) or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) the Issuer is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance or other disposition has been made is an entity organized or existing under the laws of any member state of the Pre-Expansion European Union, Switzerland, Canada, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition has been made assumes all the obligations of the Issuer under the Senior Notes, the Senior Notes Indenture, the Intercreditor Agreement and the Security Documents to which the Issuer is a party;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Issuer or, in case of a consolidation or merger or sale, assignment, transfer, conveyance or other disposition by the Issuer, the Person formed by or surviving any such consolidation or merger (if other than the Issuer), or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, (i) would be permitted to incur at least €1.00 of additional Indebtedness pursuant to the first paragraph of the covenant described above under the caption "*—Incurrence of Indebtedness and issuance of preferred stock*" or (ii) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and

(5) the Issuer delivers to the Trustee an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant and that the Senior Notes, the supplemental indenture and the Senior Secured Note Indenture constitute legal, valid and binding obligations of the Issuer or, as the case may be, the surviving entity; *provided* that in giving an opinion of counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to the satisfaction of clauses (3) and (4) above.

Guarantors

A Guarantor may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than another Guarantor or the Issuer, unless either (a) (i) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of that Guarantor under its Notes Guarantee, the Senior Notes Indenture, the Intercreditor Agreement, the Security Documents and, if applicable, any Senior Notes Proceeds Loan Agreement or Senior Secured Notes Proceeds Loan Agreement to which such Guarantor is a party pursuant to a supplemental indenture and appropriate Security Documents reasonably satisfactory to the Trustee and (ii) immediately after giving effect to that transaction, no Default or Event of Default exists; or (b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Senior Notes Indenture.

General

Neither the Issuer nor any Guarantor will, directly or indirectly, lease all or substantially all of the properties and assets of it and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to any other Person.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties or assets of one or more Subsidiaries of the Issuer or a Guarantor, which properties and assets, if held by the Issuer or such Guarantor, as applicable, instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer or such Guarantor, as applicable, on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer or such Guarantor, as applicable.

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the properties or assets of the Issuer or a Guarantor in a transaction that is subject to, and that complies with the provisions of this covenant, the successor Person formed by such consolidation or into or with which the Issuer or such Guarantor, as the case may be, is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the provisions of the Senior Notes Indenture referring to the Issuer or such Guarantor, as the case may be, shall refer instead to the successor Person and not to the Issuer or such Guarantor, as the case may be), and may exercise every right and power of the predecessor Issuer or Guarantor, as the case may be, under the Senior Notes Indenture with the same effect as if such successor Person had been named as the Issuer or such Guarantor, as the case may be, therein; *provided* that the relevant predecessor Issuer or Guarantor, as the case may be, shall not be relieved from the obligation to pay the principal, interest or Additional Amounts on the Senior Notes except in the case of a sale of all of the Issuer's or such Guarantor's, as the case may be, assets in a transaction that is subject to, and that complies with the provisions of, this covenant.

Clauses (3) and (4) of the first paragraph of this covenant will not apply to any sale or other disposition of all or substantially all of the assets or merger or consolidation of any Restricted Subsidiary with or into the Issuer and clause (4) of the first paragraph of this covenant will not apply to any sale or other disposition of all or substantially all of the assets or merger or consolidation of the Issuer with or into an Affiliate solely for the purpose of reincorporating the Issuer in another jurisdiction for tax reasons.

Transactions with Affiliates

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Issuer (each, an "**Affiliate Transaction**"), involving aggregate payments or consideration in excess of €5.0 million, unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person on an arm's length basis; and

(2) the Issuer delivers to the Trustee:

  (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €15.0 million, a resolution of the Board of Directors of the Issuer set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Issuer; and, in addition,

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €25.0 million, an opinion of an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is (i) fair from a financial point of view taking into account all relevant circumstances or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, collective bargaining agreement, consultant, employee benefit arrangements with any employee, officer or director of the Issuer or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business;

(2) transactions between or among (i) the Issuer and/or the Restricted Subsidiaries and (ii) any Person who is an Affiliate solely because a director of which is also a director of the Issuer or any direct or indirect parent of the Issuer; *provided* that such director abstains from voting as a director of the Issuer or such direct or indirect parent, as the case may be, on any matter involving such other Person;

(3) transactions in the ordinary course of business with a Person (other than an Unrestricted Subsidiary of the Issuer) that is an Affiliate of the Issuer solely because the Issuer owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors or employees of the Issuer or any Restricted Subsidiary;

(5) any issuance of Equity Interests (other than Disqualified Stock) of the Issuer to Affiliates of the Issuer;

(6) any Investment (other than a Permitted Investment) or other Restricted Payment, in either case, that does not violate the provisions of the Senior Notes Indenture described above under the caption "*—Restricted Payments*";

(7) Management Advances and the payment of any Management Fees;

(8) any Permitted Investments (other than Permitted Investments described in clauses (3) and (16) of the definition thereof);

(9) the incurrence of any Subordinated Shareholder Debt;

(10) transactions pursuant to, or contemplated by any agreement in effect on the Issue Date and transactions pursuant to any amendment, modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not more disadvantageous to the holders of the Senior Notes than the original agreement as in effect on the Issue Date;

(11) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services or providers of employees or other labor, in each case in the ordinary course of business and otherwise in compliance with the terms of the Senior Notes Indenture that are fair to the Issuer or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Issuer or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person;

(12) any payments or other transactions pursuant to a tax sharing agreement between the Issuer and any other Person or a Restricted Subsidiary and any other Person with which the Issuer or any Restricted Subsidiary files a consolidated tax return or with which the Issuer or any Restricted Subsidiary is part of a group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation; *provided*, *however*, that any such tax sharing or arrangement and payment does not permit or require payments in excess of the amounts of tax that would be payable by the Issuer and the Restricted Subsidiaries on a stand-alone basis;

(13) any transaction effected as part of a Qualified Receivables Transaction; and

(14) pledges of Equity Interests of an Unrestricted Subsidiary to secure Indebtedness of such Unrestricted Subsidiary.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Issuer may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Issuer and the Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption "*—Restricted Payments*" or under one or more clauses of the definition of Permitted Investments, as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted

Subsidiary. The Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary if that designation would not cause a Default. Any designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption *"—Restricted Payments"*. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Senior Notes Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption *"—Incurrence of Indebtedness and issuance of preferred stock*", the Issuer will be in default of such covenant.

The Board of Directors of the Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption *"—Incurrence of Indebtedness and issuance of preferred stock*", calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period, and (2) no Default or Event of Default would be in existence following such designation.

Maintenance of listing

The Issuer will use its commercially reasonable efforts to maintain the listing of the Senior Notes on the Official List of the Luxembourg Stock Exchange and the admission to trading of the Senior Notes on the Euro MTF Market for so long as such Senior Notes are outstanding; *provided* that if at any time the Issuer determines that it is unable to list or it will not maintain such listing, it will obtain prior to the delisting of the Senior Notes from the Official List of the Luxembourg Stock Exchange and withdrawal from trading of the Senior Notes on the Euro MTF Market, and thereafter use its commercially reasonable efforts to maintain, a listing of such Senior Notes on another internationally recognized stock exchange or exchange regulated market in western Europe.

Additional Guarantees

Within 90 days (or 45 days in the case of entities incorporated in Germany) after the Completion Date, the Issuer will cause each HX Guarantor to execute and deliver a supplemental indenture providing for the Notes Guarantee of such HX Guarantor.

Subject to the Agreed Security Principles, the Issuer will not cause or permit any Restricted Subsidiary that is not a Guarantor, directly or indirectly, to guarantee the payment of, assume or in any manner become liable with respect to any other Indebtedness of the Issuer or any Guarantor unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the Notes Guarantee of such Restricted Subsidiary.

Each additional Notes Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

The second paragraph of this covenant will not be applicable to any Guarantees of any Restricted Subsidiary given to a bank or trust company having combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating, at the time such guarantee was given, of at least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody's, in connection with the operation of cash management programs established in the ordinary course of business for the benefit of the Issuer or any of the Restricted Subsidiaries.

Notwithstanding the foregoing, the Issuer shall not be obligated to cause such Restricted Subsidiary to guarantee the Senior Notes to the extent that such Guarantee by such Restricted Subsidiary would reasonably be expected to give rise to or result in a violation of applicable law or any liability for the officers, directors or shareholders of such Restricted Subsidiary that, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Issuer or the Restricted Subsidiary.

Payments for consent

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Senior Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Senior Notes Indenture or the Senior Notes unless such consideration is offered to be paid and is paid to all holders of the Senior Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and the Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Senior Notes Indenture, to exclude holders of Senior Notes in any jurisdiction where (A) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or the payment of the consideration therefor, would require the Issuer or any Restricted Subsidiary to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Issuer in its sole discretion determines (acting in good faith) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent documents used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Lines of business

The Issuer will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Permitted Business, except to such extent as would not be material to the Issuer and the Restricted Subsidiaries, taken as a whole.

Limitation on permitted activities

The Issuer will not:

(1) engage in any business activity or undertake any other activity, except (i) any activity relating or incidental to the offering, sale, issuance and servicing, purchase, redemption, refinancing or retirement of the Senior Notes or the incurrence of other Indebtedness permitted by the terms of the Senior Notes Indenture and distributing, lending or otherwise advancing funds to any of its Restricted Subsidiaries, (ii) any activity undertaken with the purpose of fulfilling any other obligations under the Senior Notes, other Indebtedness permitted by the terms of the Senior Notes Indenture, any Security Document to which it is a party, any security documents securing obligations under the Intercreditor Agreement to which it is a party, the Intercreditor Agreement or any Additional Intercreditor Agreement and (iii) other activities not specifically enumerated above that are *de minimis* in nature; or

(2) own, lease, manage or otherwise operate any properties or assets other than cash and Cash Equivalents, shares of Capital Stock of the Senior Secured Notes Issuer or Indebtedness owing by its direct or indirect Subsidiaries (including Subsidiaries to be incorporated or acquired, directly or indirectly, after the Issue Date), properties and assets related to administrative employees and functions incidental to its existence or properties and assets related to the business or operations set forth in clause (1) of this paragraph.

Impairment of security interest

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, take or knowingly or negligently omit to take, any action which action or omission might or would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Liens on the Collateral permitted by the definition of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the holders of the Senior Notes, and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the holders of the Senior Notes and the other beneficiaries described in the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral; *provided* that (a) nothing in this provision shall restrict the discharge or release of the Collateral in accordance with the Senior Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement and (b) the Issuer and the Restricted Subsidiaries may incur Permitted Collateral Liens; *provided further*, that no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified, replaced or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), unless contemporaneously with such amendment, extension, replacement, restatement, supplement, modification, renewal or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Issuer delivers to the Trustee either (1) a solvency opinion from an internationally recognized investment bank or accounting firm, in form and substance reasonably satisfactory to the Trustee, confirming the solvency of the Issuer and its Restricted Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking, (2) a certificate from the Board of Directors or chief financial officer of the relevant Person, which certificate confirms the solvency of the Person granting such security interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking, the Lien or Liens securing the Senior Notes created under the Security Documents so amended, extended, renewed, restated, supplemented, modified, replaced or release and retaking are valid and perfected 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, modification, replacement or release and retaking.

At the direction of the Issuer and without the consent of the holders of Senior Notes, the Security Agent may from time to time enter into one or more amendments to the Security Documents (or enter into additional or supplemental security documents) to: (i) cure any ambiguity, omission, defect or inconsistency therein, (ii) subject to compliance with the preceding paragraph, provide for Permitted Collateral Liens, (iii) add to the Collateral or (iv) make any other change thereto that does not, in the opinion of the Trustee, adversely affect the rights of the holders of the Senior Notes in any material respect.

In the event that the Issuer complies with this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification, replacement or release with no need for instructions from holders of the Senior Notes.

Collateral

The Issuer will, and will procure that each Restricted Subsidiary will, at its respective own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (i) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents and (ii) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. The Issuer will, and will procure that each Restricted Subsidiary will, execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

Additional Intercreditor Agreements

At the request of the Issuer and upon delivery of an Officer's Certificate and an opinion of counsel to the Trustee, without the consent of holders of the Senior Notes, and at the time of, or prior to, the incurrence by the Issuer or a Guarantor of Indebtedness permitted pursuant to (a) the first paragraph of the covenant described under "*—Incurrence of Indebtedness and issuance of preferred stock*" or clause (1) or (8) of the definition of Permitted Debt and (b) any Permitted Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (a), the Issuer, the relevant Guarantor, 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**") on substantially the same terms as the Intercreditor Agreement, including terms with respect to the limitation on enforcement and release of guarantees and priority as set forth in the Intercreditor Agreement (or on terms more favorable to the holders of the Senior Notes); *provided*, that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent under the Senior Notes Indenture or the Intercreditor Agreement.

At the request of the Issuer, without the consent of holders of the Senior Notes, and at the time of, or prior to, the incurrence by the Issuer or a Guarantor of Indebtedness permitted to be incurred pursuant to the preceding paragraph, the Issuer or the relevant Guarantor and the Trustee shall enter into one or more amendments to any Intercreditor Agreement or Additional Intercreditor Agreement to: (1) cure defects, resolve ambiguities or reflect changes, in each case, of a minor, technical or administrative nature; (2) increase the amount or types of Indebtedness covered by any Intercreditor Agreement or Additional Intercreditor Agreement that may be incurred by the Issuer or a Guarantor that is subject to any Intercreditor Agreement or Additional Intercreditor Agreement (provided that such amendment is consistent with the preceding paragraph); (3) add new Guarantors to the Intercreditor Agreement or an Additional Intercreditor Agreement; (4) further secure the Senior Notes; (5) make provision for the security securing Additional Senior Notes to rank *pari passu* with the Collateral; or (6) make any other change to any such Intercreditor Agreement or an Additional Intercreditor Agreement that does not adversely affect the rights of holders of the Senior Notes in any material respect.

Except as provided in the previous paragraph, the Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to the Intercreditor Agreement or any Additional Intercreditor Agreement without the consent of the holders of the majority in aggregate principal amount of the Senior Notes then outstanding, except as otherwise permitted by the provisions described under "*—Amendment, supplement and waiver*" 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 the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent under the Senior Notes Indenture, the Intercreditor Agreement or such Additional Intercreditor Agreement.

In relation to the Intercreditor Agreement or, to the extent applicable, an Additional Intercreditor Agreement, the Trustee shall be deemed to have consented on behalf of the holders of the Senior Notes to any payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Notes thereby; *provided* that such transaction would comply with the covenant described under "*—Restricted Payments*".

Each holder of the Senior Notes will 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 consented to and directed the Trustee and the Security Agent to enter into any Additional Intercreditor Agreement or any amendment of the Intercreditor Agreement or any Additional Intercreditor Agreement which complies with the foregoing provisions and the conditions contained therein.

Suspension of covenants when Notes rated Investment Grade

During any period of time that (i) the Senior Notes have received an Investment Grade Rating from both Rating Agencies and (ii) no Default has occurred and is continuing under the Senior Notes Indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "**Covenant Suspension Event**" and the date thereof being referred to as the "**Suspension Date**") then, the covenants specifically listed under the following captions in this "*Description of the Senior Notes*" section of this offering memorandum will not be applicable to the Senior Notes (collectively, the "**Suspended Covenants**"):

(1) "*Repurchase at the option of holders—Asset Sales*";

(2) "*—Incurrence of Indebtedness and issuance of preferred stock*";

(3) "*—Restricted Payments*";

(4) "*—Dividend and other payment restrictions affecting Restricted Subsidiaries*";

(5) clause (4) of the first paragraph of "*—Merger, consolidation or sale of assets*";

(6) "*—Transactions with Affiliates*";

(7) "*—Additional Guarantees*"; and

(8) "*—Lines of business*".

If and while the Issuer and the Restricted Subsidiaries are not subject to the Suspended Covenants, the Senior Notes will be entitled to substantially less covenant protection. In the event that the Issuer and the Restricted Subsidiaries are not subject to the Suspended Covenants under the Senior Notes Indenture for any period of time as a result of the foregoing, and on any subsequent date (the "**Reversion Date**") one or both of the Rating Agencies withdraw their Investment Grade Rating or downgrade the rating assigned to the Senior Notes below an Investment Grade Rating, then the Issuer and the Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Senior Notes Indenture with respect to future events. The period of time between the Suspension Date and the Reversion Date is referred to in this Description of the Senior Notes as the "**Suspension Period**". Upon the occurrence of a Covenant Suspension Event, the amount of Excess Proceeds from Net Proceeds shall be reset to zero.

During any Suspension Period, neither the Issuer nor any Restricted Subsidiary may designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to definition of Unrestricted Subsidiary.

Notwithstanding the foregoing, in the event of any such reinstatement, no action taken or omitted to be taken by the Issuer or any Restricted Subsidiary prior to the Reversion Date will give rise to a Default or Event of Default under the Senior Notes Indenture with respect to the Senior Notes; *provided* that (i) with respect to Restricted Payments made on or after the Reversion Date, the amount available to be made as Restricted Payments will be calculated as though the covenant described under "*—Restricted Payments*" had been in effect prior to, but not during, the Suspension Period; (ii) all Indebtedness incurred, or Disqualified Stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (2) of the definition of Permitted Debt; (iii) any transactions with Affiliates entered into on or after the Reversion Date pursuant to an agreement entered into during any Suspension Period shall be deemed to be permitted pursuant to clause (10) of the second paragraph of the covenant described under "*—Transactions with Affiliates*"; (iv) any encumbrance or restriction on the ability of any Restricted Subsidiary that is not a Guarantor to take any action described in clauses (1) through (3) of the first paragraph of the covenant described under "*—Dividend and other payment restrictions affecting Restricted Subsidiaries*" that becomes effective during any Suspension Period shall be deemed to be permitted pursuant to clause (1) of the second paragraph of the covenant described under "*—Dividend and other payment restrictions affecting Restricted Subsidiaries*"; and (v) no Restricted Subsidiary shall be required to comply with the covenant described under "*—Additional Guarantees*" on or after the Reversion Date with respect to any Guarantee entered into by such Restricted Subsidiary during any Suspension Period.

The Issuer will notify the Trustee that the two conditions set forth in the first paragraph under this heading have been satisfied, but such notification will not be a condition for the suspension of the covenants set forth above to be effective.

There can be no assurance that the Senior Notes will achieve or maintain an Investment Grade Rating.

Reports

For so long as any Senior Notes are outstanding, the Issuer will furnish to the Trustee the following reports in electronic form:

(1) within 120 days (or, if the Completion Date occurs after December 31, 2014, in the case of the fiscal year ending December 31, 2014, 150 days) after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2014, annual reports containing the following information with a level of detail that is substantially comparable in all material respects to this offering memorandum: (a) audited consolidated balance sheet of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions or dispositions (including, without limitation, any acquisitions or dispositions that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the consolidated revenues, EBITDA, or assets of the Issuer on a *pro forma* basis) or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, in each case unless *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations (including a discussion by business segment, *provided* that such discussion may include less detail than the discussion by business segment included in this offering memorandum), financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the

Issuer, all material affiliate transactions, Indebtedness and material financing arrangements and a description of all material contractual arrangements, including material debt instruments; and (e) material risk factors and material recent developments;

(2) within 60 days (or 90 days in the case of the fiscal quarter ending immediately after the Completion Date) following the end of each of the first three fiscal quarters in each fiscal year of the Issuer beginning with the fiscal quarter ending June 30, 2014, quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods for the Issuer, together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions or dispositions (including, without limitation, any acquisitions or dispositions that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates, represent greater than 20% of the consolidated revenues, EBITDA or assets of the Issuer on a *pro forma* basis) or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates, unless *pro forma* information has been provided in a previous report pursuant to clause (1), (2) or (3) of this covenant; (c) an operating and financial review of the unaudited financial statements (including a discussion by business segment, *provided* that such discussion may include less detail than the discussion by business segment included in this offering memorandum), including a discussion of the consolidated financial condition and results of operations of the Issuer, and any material change between the current quarterly period and the corresponding period of the prior year; (d) material developments in the business of the Issuer and its Subsidiaries; and (e) any material changes to the risk factors disclosed in the most recent annual report with respect to the Issuer; and

(3) promptly after the occurrence of (a) a material acquisition, disposition or restructuring (including any acquisition or disposition that would require the delivery of *pro forma* financial information pursuant to clauses (1) or (2) above); (b) any senior management change at the Issuer; (c) any change in the auditors of the Issuer; (d) the entering into an agreement that will result in a Change of Control; or (e) any material events that the Issuer announces publicly, in each case, a report containing a description of such events,

provided, *however*, that the reports set forth in clauses (1), (2) and (3) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or (ii) include separate financial statements for any Guarantors or non-Guarantor Subsidiaries of the Issuer.

If the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and the Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

All financial statements shall be prepared in accordance with IFRS. Except as provided for above, no report need include separate financial statements for the Issuer or Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this offering memorandum.

In addition, for so long as any Senior Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, the Issuer will furnish to the holders of the Senior Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

So long as any Senior Notes are outstanding, the Issuer will also:

(a) within 10 Business Days after the Issuer has furnished to the Trustee the annual and quarterly reports required by clauses (1) and (2) of the first paragraph of this covenant, hold a conference call to discuss such reports and the results of operations for the relevant reporting period; and

(b) issue a press release to an internationally recognized wire service no fewer than three Business Days prior to the date of the conference call required by the foregoing clause (a) of this paragraph, announcing the time and date of such conference call and either including all information necessary to access the call or directing holders of the Senior Notes, prospective investors, broker dealers and securities analysts to contact the appropriate person at the Issuer to obtain such information.

The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of the covenant (i) on a website maintained by the Issuer or any of its Affiliates and (ii) if and so long as the Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, at the specified office of the Paying Agent in Luxembourg or to the extent and in the manner required by such rules, post such reports on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Limitation on activities prior to the Completion Date

Prior to the Completion Date, the Issuer will not, and will not permit any Restricted Subsidiary to, engage in any business activities or undertake any other activity, except for activities (i) reasonably relating to the Acquisition, the Senior Notes, the Senior Notes Indenture, the Senior Secured Notes, the Senior Secured Notes Indenture, the Revolving Credit Facility Agreement, the Guarantee Facility Agreement, the Senior Notes Escrow Agreement, the Senior Secured Notes Escrow Agreement, the Security Documents, the security documents securing obligations under the Senior Secured Notes, the Revolving Credit Facility Agreement, the Guarantee Facility Agreement or the Intercreditor Agreement; (ii) undertaken with the purpose of fulfilling any other obligations relating to the Acquisition under the Senior Notes, the Senior Notes Indenture, the Senior Secured Notes, the Senior Secured Notes Indenture, the Revolving Credit Facility Agreement, the Guarantee Facility Agreement, the Senior Notes Escrow Agreement, the Senior Secured Notes Escrow Agreement, the Security Documents or the security documents securing obligations under the Senior Secured Notes, the Revolving Credit Facility Agreement, the Guarantee Facility Agreement or the Intercreditor Agreement; (iii) the establishment of the Issuer and the Issue Date Guarantors; and (iv) other activities not specifically enumerated above that are *de minimis* in nature.

Events of Default and remedies

Each of the following is an "**Event of Default**":

(1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Senior Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Senior Notes;

(3) failure by the Issuer or relevant Guarantor to comply with the provisions described under the caption "*—Certain covenants—Merger, consolidation or sale of assets*";

(4) failure by the Issuer or any Restricted Subsidiary for 60 days after written notice to the Issuer by the Trustee or the holders of at least 25% in aggregate principal amount of the Senior Notes then outstanding voting as a single class to comply with any of the agreements in the Senior Notes Indenture (other than a default in performance, or breach, of a covenant or agreement which is specifically dealt with in clauses (1), (2) or (3) above) or the Senior Notes, the Notes Guarantees, any Security Document or the Intercreditor Agreement (or any Additional Intercreditor Agreement entered into pursuant to the terms of the Intercreditor Agreement or the Senior Notes Indenture);

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any Restricted Subsidiary (or the payment of which is guaranteed by the Issuer or any Restricted Subsidiary), whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default:

    (a) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness at the Stated Maturity thereof, prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "**Payment Default**"); or

    (b) results in the acceleration of such Indebtedness prior to its express maturity,

    and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates €20.0 million or more;

(6) failure by the Issuer or any Restricted Subsidiary to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of €20.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal, waiver or otherwise, shall not have been in effect;

(7) (i) breach by the Issuer or any Restricted Subsidiary of any material representation, warranty or agreement in any Security Document; *provided* that if such breach is curable under each Security Document pursuant to which such breach occurred, such breach has continued uncured for a period of 15 days; (ii) any security interest created by the Security Documents with respect to Collateral having a Fair Market Value in excess of €5.0 million ceases to be in full force and effect (except as permitted by the terms of the Senior Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents), or an assertion by the Issuer or any Restricted Subsidiary that any Collateral having a Fair Market Value in excess of €5.0 million is not subject to a valid, perfected security interest (except as permitted by the terms of the Senior Notes Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement); or (iii) the repudiation by the Issuer or any Restricted Subsidiary of any of its material obligations under any Security Document;

(8) except as permitted by the Senior Notes Indenture, any Notes Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Notes Guarantee; and

(9) certain events of bankruptcy or insolvency described in the Senior Notes Indenture with respect to the Issuer, the Senior Secured Notes Issuer, any other Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default specified in clause (9) of the preceding paragraph, all outstanding Senior Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Senior Notes may, and the Trustee, upon request of such holders, shall, declare all the Senior Notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Senior Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Senior Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest, premium or Additional Amounts, if any.

Subject to the provisions of the Senior Notes Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Senior Notes Indenture at the request or direction of any holders of Senior Notes unless such holders have offered to the Trustee, and it has received, indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except (subject to the provisions described under "*—Amendment, supplement and waiver*") to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of a Senior Note may pursue any remedy with respect to the Senior Notes Indenture or the Senior Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Senior Notes have requested the Trustee to pursue the remedy;

(3) such holders have offered the Trustee, and it has received, security or indemnity satisfactory to the Trustee 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 or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding Senior Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of not less than a majority in aggregate principal amount of the Senior Notes outstanding may, on behalf of the holders of all outstanding Senior Notes, waive any past default under the Senior Notes Indenture and its consequences, except a continuing default in the payment of the principal or premium, if any, any Additional Amounts or interest on any Senior Note held by a non-consenting holder (which may only be waived with the consent of each holder of Senior Notes affected).

The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Senior Notes Indenture.

No personal liability of directors, officers, employees and shareholders

Subject to mandatory applicable laws, no director, officer, employee, incorporator or shareholder of the Issuer or any Guarantor, in its capacity as such, will have any liability for any obligations of the Issuer or the Guarantors under the Senior Notes, the Senior Notes Indenture, the Notes Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Senior Notes by accepting a Senior Note waives and releases all such liability. This waiver and release are part of the consideration for issuance of the Senior Notes. This waiver may not be effective to waive liabilities under applicable securities laws.

Legal Defeasance and Covenant Defeasance

The Issuer may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Senior Notes and all obligations of the Guarantors discharged with respect to their Notes Guarantees ("**Legal Defeasance**") except for:

(1) the rights of holders of outstanding Senior Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Senior Notes when such payments are due from the trust referred to below;

(2) the Issuer's obligations with respect to the Senior Notes concerning issuing temporary Senior Notes, registration of Senior Notes, mutilated, destroyed, lost or stolen Senior Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the Senior Notes Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Senior Notes Indenture ("**Covenant Defeasance**") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Senior Notes. In the event Covenant Defeasance occurs, all Events of Default described under "—*Events of Default and remedies*" (except those relating to payments on the Senior Notes or bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Senior Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Senior Notes, cash in euro, euro-denominated European Government Obligations, or a combination of cash in euro and euro-denominated European Government Obligations in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest (including Additional Amounts and premium, if any) on the outstanding Senior Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Senior Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an opinion reasonably acceptable to the Trustee of U.S. counsel confirming that (a) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Senior Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an opinion reasonably acceptable to the Trustee of U.S. counsel confirming that the holders of the outstanding Senior Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) the Issuer must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of Senior Notes over the other creditors of the Issuer or the Guarantors with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer, the Guarantors or others; and

(5) the Issuer must deliver to the Trustee an Officer's Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, supplement and waiver

Except as provided otherwise in the succeeding paragraphs, the Senior Notes Indenture, the Senior Notes, the Notes Guarantees, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Senior Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes), and any existing Default or Event of Default or compliance with any provision of the Senior Notes Indenture, the Senior Notes, the Notes Guarantees, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Senior Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes).

Unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Senior Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes), an amendment, supplement or waiver may not:

(1) reduce the principal amount of Senior Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Senior Note or alter the provisions with respect to the redemption of the Senior Notes (other than provisions relating to the covenants described above under the caption "—*Repurchase at the option of holders*");

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Senior Note;

(4) impair the right of any holder of Senior Notes to receive payment of principal of and interest on such holder's Senior Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Senior Notes or any Notes Guarantee in respect thereof;

(5) waive a Default or Event of Default in the payment of principal of, or interest, premium or, Additional Amounts, if any, on, the Senior Notes (except a rescission of acceleration of the Senior Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Senior Notes and a waiver of the Payment Default that resulted from such acceleration);

(6) make any Senior Note payable in money other than that stated in the Senior Notes;

(7) make any change in the provisions of the Senior Notes Indenture relating to waivers of past Defaults or the rights of holders of Senior Notes to receive payments of principal of, or interest, premium or Additional Amounts, if any, on, the Senior Notes;

(8) waive a redemption payment with respect to any Senior Note (other than a payment required by one of the covenants described above under the caption "—*Repurchase at the option of holders*");

(9) release any Guarantor from any of its obligations under its Notes Guarantee or the Senior Notes Indenture, except in accordance with the terms of the Senior Notes Indenture and the Intercreditor Agreement;

(10) release all or substantially all of the Liens on the Collateral granted for the benefit of the holders of the Senior Notes, except in accordance with the terms of the Senior Notes Indenture or the relevant Security Document and the Intercreditor Agreement;

(11) change the ranking of the Senior Notes or the Notes Guarantees; or

(12) make any change in the preceding amendment and waiver provisions.

Any amendment, supplement or waiver consented to by the holders of at least 90% of the aggregate principal amount of the then outstanding Senior Notes will be binding against any non-consenting holders.

Notwithstanding the foregoing, without the consent of any holder of Senior Notes, the Issuer, the Trustee and the Security Agent may amend or supplement the Senior Notes Indenture, the Senior Notes, the Intercreditor Agreement or any Security Document:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Senior Notes in addition to or in place of certificated Senior Notes;

(3) to provide for the assumption of the Issuer's or a Guarantor's obligations to holders of Senior Notes and Notes Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the holders of Senior Notes or that does not adversely affect the legal rights under the Senior Notes Indenture of any such holder in any material respect;

(5) to conform the text of the Senior Notes Indenture, the Senior Notes, the Notes Guarantees, any Security Documents or the Intercreditor Agreement to any provision of this "*Description of the Senior Notes*" to the extent that such provision in this "*Description of the Senior Notes*" was intended to be a verbatim recitation of a provision of the Senior Notes Indenture, the Senior Notes, the Notes Guarantees, the Security Documents, or the Intercreditor Agreement;

(6) to enter into additional or supplemental Security Documents;

(7) to release any Notes Guarantee in accordance with the terms of the Senior Notes Indenture and the Intercreditor Agreement;

(8) to release the Collateral in accordance with the terms of the Senior Notes Indenture, the Intercreditor Agreement and the Security Documents;

(9) to provide for the issuance of Additional Senior Notes in accordance with the limitations set forth in the Senior Notes Indenture as of the Issue Date;

(10) to allow any Guarantor to execute a supplemental indenture and/or a Notes Guarantee with respect to the Senior Notes;

(11) to evidence and provide the acceptance of the appointment of a successor Trustee under the Senior Notes Indenture; or

(12) to add additional parties to the Intercreditor Agreement or any Security Document to the extent permitted hereunder and thereunder.

The consent of the holders of Senior Notes is not necessary under the Senior Notes Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

In connection with its entry into any amendment, supplement or waiver, the Trustee shall be entitled to rely absolutely on such evidence as it deems appropriate, including an opinion of counsel and an Officer's Certificate.

For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg act dated August 10, 1915 on commercial companies, as amended (the "**Luxembourg Companies Act 1915**"), shall not apply in respect of the Senior Notes. Neither any holder of Senior Notes nor the Issuer may initiate proceedings against the Issuer or any holder of Senior Notes (as the case may be) based on article 98 of the Luxembourg Companies Act 1915.

Satisfaction and discharge

The Senior Notes Indenture will be discharged and will cease to be of further effect as to all Senior Notes issued thereunder, when:

(1) either:

(a) all Senior Notes that have been authenticated and delivered, except lost, stolen or destroyed Senior Notes that have been replaced or paid and Senior Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or

(b) all Senior Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in euro, euro-denominated European Government Obligations, or a combination of cash in euro and euro-denominated European Government Obligations, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Senior Notes not delivered to the Trustee for cancellation of principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) the Issuer or any Guarantor has paid or caused to be paid all sums payable by it under the Senior Notes Indenture; and

(3) the Issuer has delivered irrevocable instructions to the Trustee under the Senior Notes Indenture to apply the deposited money toward the payment of the Senior Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

Judgment Currency

The sole currency of account and payment for all sums payable by the Issuer or a Guarantor under the Senior Notes Indenture, the Senior Notes and the Notes Guarantees is euro. Any amount received or recovered in a currency other than euro in respect of the Senior Notes (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 Subsidiary or otherwise) by a holder of Senior Notes or by the Trustee in respect of any sum expressed to be due to it from the Issuer or a Guarantor will constitute a discharge of the Issuer and the Guarantors only 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 possible to make that purchase on that date, on the first date on which it is possible to do so). If that euro amount is less than the euro amount expressed to be due to the recipient under any Senior Note, the Issuer and the Guarantors will indemnify the recipient against any loss sustained by it as a result. In any event the Issuer and the Guarantors will indemnify the recipient against the cost of making any such purchase.

For the purposes of this indemnity, it will be sufficient for the holder or the Trustee to certify that it would have suffered a loss had an actual purchase of euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro on such date had not been practicable, on the first date on which it would have been practicable). These indemnities constitute a separate and independent obligation from the other obligations of the Issuer and the Guarantors, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any holder 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 to any sum due under any Senior Note, any Notes Guarantee or any other judgment or order.

Concerning the Trustee

The Issuer shall deliver written notice to the Trustee within 30 days of becoming aware of the occurrence of a Default or an Event of Default. If the Trustee becomes a creditor of the Issuer or any Guarantor, the Senior Notes Indenture will limit the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest in its capacity as Trustee it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Senior Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Senior Notes Indenture will provide that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Senior Notes Indenture at the request of any holder of Senior Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

The Issuer and the Guarantors jointly and severally will indemnify the Trustee for certain claims, liabilities and expenses incurred without gross negligence, or willful misconduct, or bad faith on its part, arising out of or in connection with its duties.

Listing

Application has been made to list the Senior Notes on the Official List of the Luxembourg Stock Exchange and to admit the Senior Notes to trading on the Euro MTF Market. There can be no assurance that the application to list the Senior Notes on the Official List of the Luxembourg Stock Exchange and to admit the Senior Notes to trading on the Euro MTF Market will be approved, and settlement of the Senior Notes is not conditioned on obtaining this listing. The Issuer has initially designated Deutsche Bank Luxembourg S.A. as its agent for those purposes. The address of Deutsche Bank Luxembourg S.A. is 2, boulevard Konrad Adenauer, L-1115 Luxembourg, Grand Duchy of Luxembourg.

Additional information

Anyone who receives this offering memorandum may, following the Issue Date, obtain a copy of the Senior Notes Indenture, the forms of Senior Notes, the Security Documents and the Intercreditor Agreement without charge by writing to the Issuer at 26-28, rue Edward Steichen, L-2540 Luxembourg, Grand Duchy of Luxembourg.

So long as the Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange shall so require, copies of the financial statements included in this offering memorandum may be obtained, free of charge, during normal business hours at the offices of the Paying Agent in Luxembourg.

Governing law

The Senior Notes Indenture, the Senior Notes and the Notes Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. The provisions of articles 86 to 94-8 of the Luxembourg Companies Act are expressly excluded and shall not apply to the Senior Notes. The Intercreditor Agreement will be governed by English law. The Security Documents will be governed by the applicable local laws of the jurisdiction under which the Liens over the Collateral are granted.

Consent to jurisdiction and service of process

The Senior Notes Indenture will provide that the Issuer and each Guarantor (other than any Guarantor incorporated in the United States) will appoint CT Corporation System, 111 Eighth Avenue, 13th floor, New York, New York, 10011, United States, as its agent for service of process in any suit, action or proceeding with respect to the Senior Notes Indenture, the Senior Notes and the Notes Guarantees brought in any U.S. federal or New York state court located in the City of New York and will submit to such jurisdiction.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Senior Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Senior Notes will be prescribed five years after the applicable due date for payment of interest.

Certain definitions

Set forth below are certain defined terms used in this Description of the Senior Notes. Reference is made to the Senior Notes Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"**Acquired Debt**" means, with respect to any specified Person:

(1) Indebtedness of any other Person or its Subsidiaries existing at the time such other Person is merged with or into or becomes a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"**Acquisition** " means the acquisition of the Targets by Blitz pursuant to the Acquisition Agreement.

"**Acquisition Agreement**" means the share purchase agreement dated April 16, 2014, relating to the sale and purchase of the shares in the Targets, among GEA Group Aktiengesellschaft, GEA Heat Exchangers GmbH, GEA Group Holding GmbH and Blitz.

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control", as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling", "controlled by" and "under common control with" have correlative meanings.

"**Agreed Security Principles**" means the agreed security principles appended to the Revolving Credit Facility Agreement, as of the Completion Date, as applied *mutatis mutandis* with respect to the Senior Notes in good faith by the Issuer.

"**Applicable Premium**" means, with respect to any Senior Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the Senior Note; and

(2) the excess of:

(a) the present value at such redemption date of (A) the redemption price of the Senior Note at June 15, 2017 (such redemption price being set forth in the table appearing above under the caption "*—Optional redemption*") plus (B) all required interest payments due on the Senior Note through June 15, 2017 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over

(b) the principal amount of the Senior Note;

in each case as calculated by the Issuer.

For the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee or the Paying Agents.

"**Asset Sale**" means:

(1) the sale, lease, conveyance or other disposition of any assets by the Issuer or any Restricted Subsidiary; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries taken as a whole will be governed by the provisions of the Senior Notes Indenture described above under the caption "*—Repurchase at the option of holders—Change of Control*" and/or the provisions described above under the caption "*—Certain covenants—Merger, consolidation or sale of assets*" and not by the provisions described under the caption "*—Repurchase at the option of holders—Asset Sales*"; and

(2) the issuance of Equity Interests by any Restricted Subsidiary or the sale by the Issuer or any Restricted Subsidiary of Equity Interests in any of the Issuer's Subsidiaries (in each case, other than directors' qualifying shares).

Notwithstanding the foregoing, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than €5.0 million;

(2) a transfer of assets or Equity Interests between or among the Issuer and the Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Issuer or a Restricted Subsidiary;

(4) the sale, lease or other transfer of accounts receivable, inventory, trading stock, products, raw materials and other assets in the ordinary course of business (including the abandonment or other disposition of intellectual property that is, in the reasonable judgment of the Issuer, no longer economically practicable to maintain or useful in the conduct of business of the Issuer and the Restricted Subsidiaries, taken as a whole);

(5) licenses and sublicenses by the Issuer or any Restricted Subsidiary of software or intellectual property in the ordinary course of business;

(6) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(7) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain covenants—Liens*";

(8) the sale or other disposition of cash or Cash Equivalents;

(9) a Restricted Payment that does not violate the covenant described above under the caption "*—Certain covenants—Restricted Payments*", a Permitted Investment or any transaction specifically excluded from the definition of Restricted Payment;

(10) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) any sale or disposition of receivables and related assets in connection with any Qualified Receivables Transaction and any factoring; and

(12) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind.

"**Beneficial Owner**" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "**Beneficially Owns**" and "**Beneficially Owned**" have a corresponding meaning.

"**Board of Directors**" means:

(1) with respect to any corporation, the board of directors or board of managers (or analogous governing body) of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors (or analogous governing body) of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members (or analogous governing body) or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"**Bund Rate**" means, as of any redemption date, the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*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 by the Issuer in good faith)) most nearly equal to the period from the redemption date to June 15, 2017; *provided*, *however*, that if the period from the redemption date to June 15, 2017 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 June 15, 2017 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 a day other than a Saturday, Sunday or other day on which banking institutions in Frankfurt, London or Luxembourg or a place of payment under the Senior Notes Indenture are authorized or required by law to close and, with respect to payments to be made under the Senior Notes Indenture, other than any day which is not a TARGET Settlement Day.

"**Capital Lease Obligation**" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet (excluding the footnotes thereto) prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"**Capital Stock**" means:

(1) in the case of a corporation, corporate stock (including, in the case of a Luxembourg public limited liability company or private limited liability company, the share capital of such company);

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person,

but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"**Cash Equivalents**" means:

(1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union or the United States of America, Switzerland or Canada, as the case may be, and which are not callable or redeemable at the Issuer's option;

(2) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities of 12 months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of America or any state thereof, Switzerland or Canada; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of €250 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated "A-1" or higher by Moody's or A+ or higher by S&P (or, if at the time neither S&P or Moody's is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization);

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P (or, if at the time neither S&P or Moody's is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) and, in each case, maturing within one year after the date of acquisition; and

(5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

"**Change of Control**" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries, taken as a whole, to any Person (including any "person" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act)) other than one or more Permitted Holders;

(2) the adoption of a plan relating to the liquidation or dissolution of the Issuer or the Senior Secured Notes Issuer;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" as defined above) other than one or more Permitted Holders becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of the Issuer measured by voting power rather than number of shares; or

(4) the first day on which a majority of the members of the Board of Directors of the Issuer are not Continuing Directors,

provided that, in each case, a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

"**Change of Control Offer**" has the meaning assigned to that term in the Senior Notes Indenture governing the Senior Notes.

"**Clearstream**" means Clearstream Banking, *société anonyme*, or any successor securities clearing agency.

"**Collateral**" means the rights, property and assets securing the Senior Notes and the Notes Guarantees as described in the section entitled "*—Security*" and any rights, property or assets in which a security interest has been or will be granted on the Issue Date or the Completion Date or thereafter to secure the Obligations of the Issuer and the Guarantors under the Senior Notes and the Senior Notes Indenture.

"**Completion Date Distribution**" means a dividend or distribution to a Parent Entity on the Completion Date for purposes of funding a portion of the consideration payable in the Acquisition as described in this offering memorandum under the caption "*Use of Proceeds*", in an aggregate amount not to exceed:

(1) the total amount of cash and cash equivalents of the HX Group, as shown on the HX Group's balance sheet on the last day of the month immediately preceding the Completion Date, determined on a combined basis in accordance with IFRS; *minus*

(2) €48.0 million; *minus*

(3) the aggregate amount of Pre-Completion Interest,

provided, *however*, that after giving effect to such dividend or distribution, the amount of the Equity Contribution shall be equal to at least 27.5% of the sum of the Net Capitalization.

"**Consolidated EBITDA**" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

(1) provision for Taxes based on income or profits of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(2) the Fixed Charges of such Person and its Subsidiaries that are Restricted Subsidiaries for such period; *plus*

(3) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees) and other non-cash charges and expenses (including, without limitation, write-downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on the Issuer and the Restricted Subsidiaries for such period) of the Issuer and the 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 or amortization of a prepaid cash charge or expense that was paid in a prior period) for such period; *plus*

(4) any expenses, charges or other costs related to the issuance of any Capital Stock, or any Permitted Investment, acquisition, disposition, recapitalization or listing or the incurrence of Indebtedness permitted to be incurred under the covenant described above under the caption "*—Certain Covenants—Incurrence of Indebtedness and issuance of preferred stock*", whether or not successful; *plus*

(5) any foreign currency transaction losses of the Issuer and the Restricted Subsidiaries; *plus*

(6) the amount of any minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Equity Interests held by such parties; *plus*

(7) (a) any unusual loss or charge, or (b) any non-cash charges or reserves in respect of any integration; *plus*

(8) all expenses incurred directly in connection with any early extinguishment of Indebtedness; *minus*

(9) any foreign currency transaction gains of the Issuer and the Restricted Subsidiaries; *minus*

(10) any unusual gain; *minus*

(11) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (11) of the definition of Consolidated Net Income), other than the reversal of a reserve for cash charges in a future period in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with IFRS.

"**Consolidated Leverage**" means, with respect to any Person as of any date of determination, the sum without duplication of (a) the total amount of Indebtedness of such Person and its Restricted Subsidiaries on a consolidated basis, plus (b) an amount equal to the greater of the liquidation preference or the maximum fixed redemption or repurchase price of all Disqualified Stock of such Person and all preferred stock of Restricted Subsidiaries of such Person (but not giving effect to any additional Indebtedness to be incurred on the date of determination as part of the same transaction or series of transactions pursuant to the second paragraph under "*—Certain covenants—Incurrence of Indebtedness and issuance of preferred stock*").

"**Consolidated Leverage Ratio**" means, with respect to any specified Person as of any date of determination, the ratio of (a) the Consolidated Leverage of such Person on such date to (b) the Consolidated EBITDA of such Person for such Person's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding such date. In the event that the specified Person or any of its Subsidiaries that are Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Disqualified Stock or preferred stock subsequent to the commencement of the period for which the Consolidated Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by the Issuer's chief financial officer or chief accounting officer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance 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 the *pro forma* calculation of the Consolidated Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the definition of Permitted Debt 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 definition of Permitted Debt.

For purposes of calculating the Consolidated EBITDA for such period:

(1) acquisitions that have been made by the specified Person or any of its Subsidiaries that are Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Subsidiaries that are Restricted Subsidiaries acquired by the specified Person or any Restricted Subsidiary, 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 the Issuer's chief financial officer or chief accounting officer) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period; and

(4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period.

"**Consolidated Net Income**" means, with respect to any specified Person for any period, the aggregate of the profit (loss) of such Person and the Restricted Subsidiaries for such period, on a consolidated basis (excluding the profit (loss) of any Unrestricted Subsidiaries), determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; *provided* that:

(1) (i) any extraordinary or exceptional gain, loss or charge, (ii) any asset impairments charges or (iii) any non-cash charges or reserves in respect of any restructuring, redundancy, integration or severance, in each case, will be excluded;

(2) the profit (loss) of any Person (other than the Issuer) if such Person is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be excluded, except that (A) the Issuer's equity in the profit of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of dividends or similar distributions paid in cash to the Issuer or a Restricted Subsidiary and (B) the Issuer's equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period will be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Issuer or a Restricted Subsidiary;

(3) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption "*—Certain covenants—Restricted Payments*", any net income or loss of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Senior Notes, the Senior Notes Indenture, the Senior Secured Notes or the Senior Secured Notes Indenture and (c) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the holders of the Senior Notes than such restrictions in effect on the Issue Date) 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 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);

(4) 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 the Issuer) will be excluded;

(5) any one time non-cash charges or any amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries will be excluded;

(6) the cumulative effect of a change in accounting principles will be excluded;

(7) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;

(8) any non-cash compensation charge or expenses arising from any grant of stock, stock options or other equity-based awards will be excluded;

(9) any goodwill or other intangible asset impairment charges will be excluded;

(10) all deferred financing costs written off and premium paid in connection with any early extinguishment of Indebtedness and any net gain or loss from any write-off or forgiveness of Indebtedness will be excluded; and

(11) any capitalized interest on any Subordinated Shareholder Debt will be excluded.

"**continuing** " means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"**Continuing Directors**" means, as of any date of determination, any member of the Board of Directors of the Issuer who:

(1) was a member of such Board of Directors on the Issue Date; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

"**Credit Facilities**" means one or more debt facilities, instruments or arrangements incurred (including the Revolving Credit Facility Agreement or commercial paper facilities and overdraft facilities) or commercial paper facilities or indentures or trust deeds or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, performance guarantees or other forms of guarantees and assurances, bonds, notes debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks or institutions and whether provided under the original Revolving Credit Facility Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "**Credit Facilities**" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"**Currency Exchange Protection Agreement**" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

"**Default** " means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"**Designated Non-Cash Consideration**" means the Fair Market Value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale that is designated as "Designated Non-Cash Consideration" pursuant to an Officer's Certificate setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-Cash Consideration.

"**Disqualified Stock**" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the six-month anniversary of the Stated Maturity of the Senior Notes. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain covenants—Restricted Payments*". For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Senior Notes 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.

"**Equity Contribution**" has the meaning given to such term under *"The Transactions*".

"**Equity Interests**" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"**Equity Investors**" means Triton Managers IV Limited (together "***Triton IV***") and its Affiliates (not including, however, any portfolio company of the foregoing, other than entities of which Triton IV beneficially owns in the aggregate a majority (or more) the Voting Stock and which are established to solely hold, directly or indirectly, interests in the Issuer) or any fund that has directly or indirectly any of Triton IV as a general partner or any investment vehicle, trust, fund, company or partnership owned, managed or advised by Triton IV or any such Affiliate.

"**Equity Offering**" means an offering of Capital Stock (other than Disqualified Stock and other than an offering to the Issuer or any of its Subsidiaries) of the Issuer or any Parent Entity pursuant to (x) a registration statement that has been declared effective by the U.S. Securities and Exchange Commission pursuant to the U.S. Securities Act (other than a registration statement on Form S-8 or otherwise relating to Capital Stock issuable under any employee benefit plan) or a public offering outside of the United States or (y) Rule 144A and/or Regulation S or other private placement exemption under the U.S. Securities Act to professional market investors or similar persons.

"**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 Monetary Union on the Issue Date whose long-term debt is rated "Aa2" or higher by Moody's or "AA" or higher by S&P (or, if at the time neither S&P or Moody's is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization), 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.

"**Excluded Contributions**" means the net cash proceeds received by the Issuer after the Issue Date from:

(1) contributions to its common equity capital; and

(2) the sale (other than to a Subsidiary of the Issuer) of Capital Stock (other than Disqualified Stock) of the Issuer,

in each case designated as "Excluded Contributions" pursuant to an Officer's Certificate no later than the date on which such Excluded Contribution has been received by the Issuer, the net cash proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the covenant described under "*—Certain covenants—Restricted Payments*" and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "Optional Redemption" provisions of the Senior Notes Indenture.

"**Fair Market Value**" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the Issuer's chief executive officer or chief financial officer or an officer of the Issuer responsible for accounting or financial reporting.

"**Fixed Charge Coverage Ratio**" means, with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any Restricted Subsidiary incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) 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 the Issuer's chief financial officer or chief accounting officer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance 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 the *pro forma* calculation of the Fixed Charge Coverage Ratio shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the definition of Permitted Debt 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 definition of Permitted Debt.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Subsidiaries that are Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Subsidiaries that are Restricted Subsidiaries acquired by the specified Person or any Restricted Subsidiary, 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 the Issuer's chief financial officer or chief accounting officer) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with 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 Restricted Subsidiary following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

"**Fixed Charges**" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated finance cost (net of finance income) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt discount (but not debt issuance costs, commissions, fees and expenses), non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments), the interest component of deferred payment obligations (including, without limitation, pension liabilities), the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings; *plus*

(2) the consolidated finance cost (but excluding interest on Subordinated Shareholder Debt) of such Person and its Subsidiaries which are Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Subsidiaries which are Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Subsidiaries which are Restricted Subsidiaries; *plus*

(4) net payments and receipts (if any) pursuant to interest rate Hedging Obligations (excluding amortization of fees) with respect to Indebtedness; *plus*

(5) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of any Restricted Subsidiary, other than dividends on Equity Interests payable to the Issuer or a Restricted Subsidiary, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by the Issuer's chief financial officer or chief accounting officer.

"**Guarantee**" means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, of all or any part of any Indebtedness (whether arising by agreements to keep-well, to take or pay or to maintain financial statement conditions, pledges of assets or otherwise).

"**Guarantee Facility Agreement**" means the senior guarantee facility agreement dated as of May 18, 2014 by and among, *inter alios*, the Senior Secured Notes Issuer, Blitz, Galapagos BidCo, Commerzbank Aktiengesellshaft, Deutsche Bank AG, London Branch, ING Bank, a branch of ING-DIBA AG, RBC Capital Markets, The Royal Bank of Scotland plc and UniCredit Bank AG, providing for up to €400.0 million of letter of credit facilities, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"**Guarantors** " means, collectively, the Issue Date Guarantors, the HX Guarantors and any Subsidiary of the Issuer that guarantees the Senior Notes and their respective successors and assigns, in each case, until the Notes Guarantee of such Person has been released in accordance with the provisions of the Senior Notes Indenture.

"**Hedging Obligations**" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates, including Currency Exchange Protection Agreements, or commodity prices.

"**IFRS**" means International Financial Reporting Standards as endorsed by the European Union and in effect as of the Issue Date.

"**Indebtedness**" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments for which such Person is responsible or liable;

(3) representing reimbursement obligations in respect of letters of credit, bankers' acceptances or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than 90 days after such property is acquired or such services are completed; or

(6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS. In addition, the term "**Indebtedness**" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person to the extent guaranteed by such Person; *provided* that in the case of Indebtedness secured by a Lien, the amount of such Indebtedness will be the lesser of (a) the Fair Market Value of such asset at such date of determination (as determined in good faith by the Issuer) and (b) the amount of such Indebtedness of such other Person.

The term "**Indebtedness**" shall not include:

(1) Subordinated Shareholder Debt;

(2) any lease of property which would be considered an operating lease under IFRS;

(3) 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 and in each case is not determinable at the time of closing; *provided*, *however*, that to the extent such payment becomes fixed and determined after the closing, the amount is paid within 30 days thereafter, and if such amounts due are not paid on or prior to 30 days following the date of such payment becoming fixed and determined, then such amounts due shall become Indebtedness incurred on the date such amounts payment became fixed and payable;

(4) liabilities in respect of obligations (other than in connection with the borrowing of money) related to standby letters of credit, performance guarantees, warranty guarantees, advanced payment guarantees, bid guarantees or bonds or surety bonds provided by or at the request of the Issuer or any Restricted Subsidiary in the ordinary course of business (whether or not secured) to the extent such letters of credit, guarantees or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than 30 days following receipt by such Person of a demand for reimbursement following payment on the letter of credit, guarantee or bond; *provided* that if such amounts due are not reimbursed on or prior to 30 days following receipt by such Person of a demand for reimbursement, then such amounts due shall become Indebtedness incurred on the date such amounts became due;

(5) 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; or

(6) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations, obligations with respect to medical benefits of workers and retirees or contributions or similar claims, obligations or contributions or social security or wage Taxes.

"**Initial Public Offering**" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent Entity or any successor of the Issuer or any Parent Entity (the "**IPO Entity**") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"**Intercreditor Agreement**" means the intercreditor agreement to be entered into on or about the Issue Date by and among, *inter alios*, the Issuer, the Senior Secured Notes Issuer, Blitz, Galapagos BidCo, the Security Agent, the agent under the Revolving Credit Facility Agreement and the agent under the Guarantee Facility Agreement, as amended, restated or otherwise modified or varied from time to time.

"**Investment Grade Rating**" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P, or an equivalent rating by any other Rating Agency.

"**Investments**" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet (excluding the footnotes) prepared in accordance with IFRS. If the Issuer or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Issuer or such Restricted Subsidiary will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of its Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain covenants—Restricted Payments*". The acquisition by the Issuer or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain covenants—Restricted Payments*". Except as otherwise provided in the Senior Notes Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

"**IPO Entity**" has the meaning given it in the definition of Initial Public Offering.

"**IPO Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"**Issue Date**" means May 30, 2014.

"**Lien**" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof.

"**Management Advances**" means, loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers or employees of the Issuer or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;

(2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

(3) in the case of this clause (3) only, not exceeding €2.0 million in the aggregate outstanding at any time.

"**Management Fees**" means (a) customary fees for the performance of monitoring services by shareholders or any of their Affiliates and (b) customary fees and related expenses for the performance of transaction, management, consulting, financial or other advisory services or underwriting, placement or other investment banking activities, including in connection with mergers, acquisitions, dispositions or joint ventures, by the Equity Investors or any of their Affiliates for the Issuer or any of the Restricted Subsidiaries, which payments in respect of this clause (b) have been approved by a majority of the disinterested members of the Board of Directors of the Issuer; *provided* that the amount of such fees under clauses (a) and (b) will not, in the aggregate, exceed €3.0 million *per annum* (inclusive of out of pocket expenses).

"**Market Capitalization**" means an amount equal to (1) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend or distribution or payment of the relevant loan or advance, multiplied by (2) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding such date.

"**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) of the U.S. Exchange Act.

"**Net Capitalization**" has the meaning given to such term under "*Certain Definitions*".

"**Net Proceeds**" means the aggregate cash proceeds received by the Issuer or any Restricted Subsidiary in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any Designated Non-Cash Consideration or other consideration received in non-cash form or Cash Equivalents substantially concurrently received in any Asset Sale), net of the direct costs relating to such Asset Sale and the sale of such Designated Non-Cash Consideration or other consideration received in non-cash form, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale (in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements), and all distributions and other payments required to be made to minority interest holders (other than the Issuer or any of its Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Sale, and any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS.

"**Notes Guarantee**" means the Guarantee by each Guarantor of the Issuer's Obligations under the Senior Notes Indenture and the Senior Notes.

"**Obligations**" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"**Officer**" means, with respect to any Person, the chief executive officer and the chief financial officer of such Person or an officer of such Person responsible for accounting or financial reporting or, in respect of any Person incorporated under the laws of the Grand Duchy of Luxembourg, a member of the board of directors or board of managers of such Person, as well as any other authorized signatory of such Person.

"**Officer's Certificate**" means a certificate signed by an Officer.

"**Parent Entity**" means any direct or indirect parent company or entity of the Issuer.

"**Permitted Business**" means (1) any businesses, services or activities engaged in by the Issuer or any of the Restricted Subsidiaries on the Issue Date and (2) any businesses, services and activities engaged in by the Issuer or any of the Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments thereof.

"**Permitted Collateral Liens**" means:

(1) Liens on the Collateral to secure the Senior Notes (or the Notes Guarantees) or any Additional Senior Notes (or any guarantee of Additional Senior Notes) and Permitted Refinancing Indebtedness in respect thereof (and Permitted Refinancing Indebtedness in respect of such Permitted Refinancing Indebtedness); *provided*, *however*, that (a) with respect to Liens on the Shared Collateral, each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement and (b) all property and assets (including, without limitation, the Collateral) securing any such Additional Senior Notes (or any guarantee of Additional Senior Notes) or Permitted Refinancing Indebtedness secures the Senior Notes or the Notes Guarantees on a senior or *pari passu* basis;

(2) with respect to the Shared Collateral, Liens on such Collateral to secure (a) Indebtedness under Credit Facilities that is permitted by clause (1)(a) of the definition of Permitted Debt, (b) Indebtedness under Permitted L/C Facilities that is permitted by clause (1)(b) of the definition of Permitted Debt, (c) Indebtedness permitted by the first paragraph of the covenant entitled "*—Certain covenants—Incurrence of Indebtedness and issuance of preferred stock*" and Permitted Refinancing Indebtedness in respect thereof (and Permitted Refinancing Indebtedness in respect of such Permitted Refinancing Indebtedness), (d) Indebtedness permitted under clauses (8) (other than Hedging Obligations in respect of commodity prices) and (9) (to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and is specified in this definition of Permitted Collateral Liens) of the definition of Permitted Debt and any

Permitted Refinancing Indebtedness in respect of any of the Indebtedness referred to in this clause (d) (and Permitted Refinancing Indebtedness in respect of such Permitted Refinancing Indebtedness) and (e) Permitted Trade L/C Liens; *provided*, *however*, that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) with respect to the Senior Notes Only Collateral, Liens on such Collateral to secure (a) Indebtedness of the Issuer under Credit Facilities that is permitted by clause (1)(a) of the definition of Permitted Debt, (b) Indebtedness of the Issuer under Permitted L/C Facilities that is permitted by clause (1)(b) of the definition of Permitted Debt, (c) Indebtedness of the Issuer permitted by the first paragraph of the covenant entitled "*—Certain covenants—Incurrence of Indebtedness and issuance of preferred stock*" and Permitted Refinancing Indebtedness of the Issuer in respect thereof (and Permitted Refinancing Indebtedness of the Issuer in respect of such Permitted Refinancing Indebtedness), (d) Indebtedness of the Issuer permitted under clauses (8) (other than Hedging Obligations in respect of commodity prices) and (9) (to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and is specified in this definition of Permitted Collateral Liens) of the definition of Permitted Debt and any Permitted Refinancing Indebtedness of the Issuer in respect of any of the Indebtedness referred to in this clause (d) (and Permitted Refinancing Indebtedness of the Issuer in respect of such Permitted Refinancing Indebtedness) and (e) Permitted Trade L/C Liens to secure Trade L/C Obligations of the Issuer; *provided*, *however*, that all property and assets (including, without limitation, the Collateral) securing such Indebtedness or other obligations secures the Senior Notes or the Notes Guarantees on a senior or *pari passu* basis; and

(4) Liens on the Collateral that are described in one or more of clauses (3), (6), (7), (14), (21), (31) and (32) of the definition of Permitted Liens; *provided*, *however* that in connection with any Permitted Collateral Lien incurred pursuant to this clause (3), none of the Security Documents or the Intercreditor Agreement may be amended, expanded, renewed, restated, supplemented, released or otherwise modified or replaced; *provided* that, for the avoidance of doubt, Liens listed in this clause (3) arising by operation of law shall rank as provided by law.

"**Permitted Holders**" means the Equity Investors. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Notes Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"**Permitted Investments**" means:

(1) any Investment in the Issuer or in a Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Issuer or any Restricted Subsidiary in a Person, if as a result of such Investment:

  (a) such Person becomes a Restricted Subsidiary; or

  (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "*—Repurchase at the option of holders—Asset Sales*";

(5) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes;

(6) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business;

(7) Investments represented by Hedging Obligations, which obligations are permitted by clause (8) of the definition of Permitted Debt;

(8) Investments in the Senior Notes (including any Additional Senior Notes) and any other Indebtedness of the Issuer or any Restricted Subsidiary;

(9) any Guarantee of Indebtedness permitted to be incurred by the covenant described above under the caption "*—Certain covenants—Incurrence of Indebtedness and issuance of preferred stock*";

(10) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased only (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Senior Notes Indenture;

(11) Investments acquired after the Issue Date as a result of the acquisition of another Person by the Issuer or any Restricted Subsidiary, including by way of a merger, amalgamation or consolidation with or into the Issuer or any Restricted Subsidiary in a transaction that is not prohibited by the covenant described above under the caption "—*Merger, consolidation or sale of assets*" after the Issue Date, to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(12) Management Advances;

(13) pledges or deposits (a) with respect to leases or utilities provided to third parties in the ordinary course of business or (b) otherwise described in the definition of Permitted Liens or made in connection with Liens permitted under the covenant described under "—*Certain covenants—Liens*";

(14) any Investment to the extent made using as consideration Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Debt or Capital Stock of any Parent Entity;

(15) Investments in joint ventures or Unrestricted Subsidiaries in a Permitted Business having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (15) that are at the time outstanding not to exceed the greater of €30.0 million and 2.0% of Total Assets; *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 above under the caption "—*Certain covenants—Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of Permitted Investments and not this clause; and

(16) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (16) that are at the time outstanding not to exceed the greater of €30.0 million and 2.0% of Total Assets; *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 above under the caption "—*Certain covenants—Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of this definition of Permitted Investments and not this clause.

"**Permitted L/C Facilities**" means, with respect to the Issuer or any Guarantors, one or more Credit Facilities with commercial banks providing for the issuance of letters of credit, guarantees, indemnities or other similar instruments, including the Guarantee Facility Agreement, 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 Permitted L/C Facilities (including all unutilized amounts thereunder, the aggregate undrawn and unexpired amount of letters of credit or other instruments issued thereunder and the aggregate amount of drawings thereunder that have not been reimbursed) shall not at any time exceed €400.0 million in the aggregate.

"**Permitted Liens**" means:

(1) Liens in favor of the Issuer or the Guarantors;

(2) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary or such merger or consolidation, were not incurred in contemplation thereof and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary;

(3) Liens to secure the performance of statutory obligations, trade contracts, insurance, surety or appeal bonds, workers compensation obligations, leases or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(4) Liens to secure Indebtedness permitted by clause (4) of the definition of Permitted Debt covering only the assets acquired with or financed by such Indebtedness;

(5) Liens existing on the Issue Date or, with respect to the HX Group, Liens existing on the Completion Date;

(6) Liens for taxes, assessments or governmental charges or claims that (a) are not yet due and payable or (b) are being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as will be required in conformity with IFRS will have been made;

(7) Liens imposed by law or by agreement with a regulatory or governmental authority having the same effect, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(8) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(9) Liens created for the benefit of (or to secure) the Senior Notes (or the Notes Guarantees);

(10) Liens securing Indebtedness under Hedging Obligations, which obligations are permitted by clause (8) of the definition of Permitted Debt;

(11) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Senior Notes Indenture; *provided*, *however*, that:

(a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (i) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(12) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(13) filing of Uniform Commercial Code financing statements under U.S. state law (or similar filings under applicable jurisdiction) in connection with operating leases in the ordinary course of business;

(14) bankers' Liens, rights of setoff or similar rights and remedies as to deposit accounts, Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(15) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(16) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(17) Liens under or arising out of leases, licenses, subleases and sublicenses of assets in the ordinary course of business;

(18) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;

(19) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer or any Restricted Subsidiary and subordination or similar agreements relating thereto and

(b) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(22) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(23) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(24) Liens on any proceeds loan made by the Issuer or any Restricted Subsidiary in connection with any future incurrence of Indebtedness permitted under the Senior Notes Indenture and securing that Indebtedness;

(25) Liens on property at the time the Issuer or any Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Issuer or any Restricted Subsidiary; *provided* that such Liens are not created, incurred or assumed in connection with, or in contemplation of, such acquisition and do not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(26) Liens incurred by the Issuer and the Restricted Subsidiaries with respect to obligations (including Indebtedness) that do not exceed €25.0 million at any one time outstanding;

(27) any interest or title of a lessor under any operating lease;

(28) Liens on Receivables and related assets of the type customarily granted in connection with factoring receivables financings or receivables sales transactions or of the type described in the definition of "Qualified Receivables Transaction" incurred in connection with a Qualified Receivables Transaction;

(29) Liens incurred in connection with a cash management program established in the ordinary course of business;

(30) Permitted Trade L/C Liens; and

(31) Liens arising under the general business conditions of any bank, financial institution or savings bank with whom the Issuer or any of its Restricted Subsidiaries maintains a banking relationship in the ordinary course of business;

(32) Liens over any asset held in Clearstream or Euroclear or any other securities depository or any clearing house in favor of such or any other securities depository or clearing house; and

(33) Liens created or subsisting in order to secure any obligations incurred in order to comply with the requirements of section 8a of the German Partial Retirement Act (*Altersteilzeitgesetz*) or pursuant to section 7e of the Fourth Book of the German Social Security Code (*SGB IV*).

"**Permitted Parent Payments**" means the declaration and payment of dividends or other distributions, or the making of loans, by the Issuer or any of the Restricted Subsidiaries to any Parent Entity in amounts and at times required to pay:

(1) franchise fees and other fees, taxes and expenses required to maintain the corporate existence of any Parent Entity;

(2) fees and expenses of any Parent Entity incurred in connection with the Transactions, including the cost of any interest described in clause (1) of the definition of Pre-Completion Interest;

(3) fees and expenses of any Parent Entity to the extent such expenses are attributable to the ownership or operation of the Issuer and the Restricted Subsidiaries (including fees and expenses properly incurred in the ordinary course of business to auditors and legal advisors and payments in respect of services provided by directors, officers, consultants or employees of any such Parent Entity) not to exceed €3.0 million in any calendar year (with unused amounts in any calendar year being carried over to the next succeeding calendar year);

(4) costs (including all professional fees and expenses) incurred by any Parent Entity in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Senior Notes Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiaries, including in respect of any reports filed with respect to the U.S. Securities Act, U.S. Exchange Act or the respective rules and regulations promulgated thereunder;

(5) fees and expenses of any Parent Entity incurred in relation to any public offering or other sale of Capital Stock or Indebtedness (whether or not completed) (a) where the net proceeds of such offering or sale are received by or contributed to the Issuer or any Restricted Subsidiaries; (b) in a prorated amount of such expenses in proportion to the amount of such net proceeds so received or contributed; or (c) otherwise on an interim basis prior to completion of such offering so long as any Parent Entity will cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and

(6) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and any of the Restricted Subsidiaries, taking into account any currently utilizable net operating loss carryovers and other tax attributes, and, to the extent of the amount actually received in cash by the Issuer from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; *provided* that such Parent Entity shall promptly pay such taxes or refund such amount to the Issuer.

"**Permitted Refinancing Indebtedness**" means any Indebtedness of the Issuer or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, exchange, defease or discharge, other Indebtedness of the Issuer or any Restricted Subsidiary (other than intercompany Indebtedness (other than any proceeds loan)); *provided* that:

(1) the aggregate principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Senior Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is expressly contractually subordinated in right of payment to the Senior Notes or the Notes Guarantees, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Senior Notes or the Notes Guarantees, as the case may be, on terms at least as favorable to the holders of the Senior Notes or the Notes Guarantees, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged; and

(4) such Indebtedness is incurred either by the Issuer or a Guarantor if the Issuer or any Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged.

"**Permitted Trade L/C Liens**" means Liens to secure Trade L/C Obligations incurred from time to time under Permitted L/C Facilities.

"**Person**" means any individual, corporation, company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"**Pre-Completion Interest**" means the sum of (1) all interest paid in respect of the Senior Secured Notes and the Senior Notes during the period from the Issue Date until and including the Completion Date and (2) all interest in respect of the Senior Secured Notes and the Senior Secured Notes that is accrued and unpaid as of the Completion Date.

"**Pre-Expansion European Union**" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004; *provided* that "**Pre-Expansion European Union**" shall not include any country whose long-term debt does not have a long-term rating of at least "AA" by S&P or at least "Aa2" by Moody's or the equivalent rating category of another internationally recognized rating agency.

"**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 €100.0 million on the date of such Equity Offering have been distributed to investors other than the Permitted Holders or their related parties, or any other direct or indirect shareholders of the Issuer as of the Issue Date, 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 U.S. Securities Act to professional market investors or similar persons).

"**Qualified Receivables Transaction**" means any transaction or series of transactions that may be entered into by the Issuer or any of its Restricted Subsidiaries pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to (1) a Receivables Entity (in the case of a transfer by the Issuer or any of its Restricted Subsidiaries) or (2) any other Person (in the case of a transfer by a Receivables Entity), or may grant a security interest in, any Receivables (whether now existing or arising in the future) of the Issuer or any of its Restricted Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such Receivables, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such Receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations or asset-based financings involving Receivables or receivables sales programs.

"**Rating Agencies**" means Moody's and S&P or, in the event either Moody's or S&P no longer assigns a rating to the Senior Notes, any other Nationally Recognized Statistical Rating Organization selected by the Issuer as a replacement agency.

"**Receivable**" means a right to receive payment arising from a sale or lease of goods or the performance of services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods and services under terms that permit the purchase of such goods and services on credit and shall include, in any event, any items of property that would be classified as an "account", "chattel paper", "payment intangible", or "instrument" under the Uniform Commercial Code as in effect in the State of New York and any "supporting obligations" as so defined.

"**Receivables Entity**" means a Wholly Owned Subsidiary (or another Person formed for the purpose of engaging in a Qualified Receivables Transaction) 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 Receivables and related assets and which engages in no activities other than in connection with the financing of Receivables and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Entity and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:

(a) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of Obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings);

(b) is recourse to or obligates the Issuer or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings; or

(c) subjects any property or asset of the Issuer or any 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 Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Qualified Receivables Transaction) other than on terms 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, other than fees payable in the ordinary course of business in connection with servicing Receivables; and

(3) to which neither the Issuer nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels or operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a certified 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.

"**Restricted Investment**" means an Investment other than a Permitted Investment.

"**Restricted Subsidiary**" means any Subsidiary of the Issuer that is not an Unrestricted Subsidiary.

"**Revolving Credit Facility Agreement**" means the revolving credit facility agreement, dated as of May 18, 2014 by and among, *inter alios*, the Senior Secured Notes Issuer and certain of its subsidiaries and UniCredit Bank AG, London Branch, as agent and security agent, providing for up to €75.0 million of revolving credit facilities, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"**S&P**" means Standard & Poor's Ratings Services, a division of McGraw Hill, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Security Documents**" means the security agreements, the pledge agreements, the collateral assignments and other instruments and documents executed and delivered pursuant to the Senior Notes Indenture or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time and pursuant to which the Collateral is pledged, assigned or granted to or on behalf of the Security Agent for the benefit of (among others) the holders of the Senior Notes and the Trustee or notice of such pledge, assignment or grant is given.

"**Senior Indebtedness**" means, whether outstanding on the Issue Date or thereafter incurred, all amounts payable by, under or in respect of all other Indebtedness of the Issuer or any Guarantor, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer or such Guarantor at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; *provided*, *however*, that Senior Indebtedness will not include:

(1) any Indebtedness Incurred in violation of the Senior Notes Indenture;

(2) any obligation of the Issuer or any Guarantor to any Restricted Subsidiary;

(3) any liability for taxes owed or owing by the Issuer or any Restricted Subsidiary;

(4) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including Guarantees thereof or instruments evidencing such liabilities);

(5) any Indebtedness, guarantee or obligation of the Issuer or any Guarantor that is expressly subordinated or junior in right of payment to any other Indebtedness, Guarantee or obligation of the Issuer or such Guarantor; or

(6) any Capital Stock.

"**Senior Notes Proceeds Loan**" means the loan of the proceeds of the Senior Notes pursuant to the Senior Notes Proceeds Loan Agreement and all loans directly or indirectly replacing or refinancing such loan or any portion thereof.

"**Senior Notes Proceeds Loan Agreement**" means the loan agreement to be entered into on the Issue Date between the Senior Secured Notes Issuer, as borrower, and the Issuer, as lender.

"**Senior Secured Notes**" has the meaning given to such term under "*Description of the Senior Secured Notes*".

"**Senior Secured Notes Escrow Agreement**" means the escrow deed dated as of the Issue Date among, *inter alios*, the Senior Secured Notes Issuer, the Senior Secured Notes Trustee and the Escrow Agent.

"**Senior Secured Notes Indenture**" has the meaning given to such term under "*Description of the Senior Secured Notes*".

"**Senior Secured Notes Proceeds Loans**" means the loans of the proceeds of the Senior Secured Notes pursuant to the Senior Secured Notes Proceeds Loan Agreements and all loans directly or indirectly replacing or refinancing such loans or any portion thereof.

"**Senior Secured Notes Proceeds Loan Agreements**" means the loan agreements to be entered into on the Issue Date between Galapagos BidCo, as borrower, and the Senior Secured Notes Issuer, as lender.

"**Senior Secured Notes Trustee**" means Deutsche Trustee Company Limited, as trustee under the Senior Secured Notes Indenture.

"**Significant Subsidiary**" means, at the date of determination, any Subsidiary that together with its Subsidiaries (i) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Issuer or (ii) as of the end of the most recent fiscal year, was the owner of more than 10% of the consolidated assets of the Issuer.

"**Specified Change of Control Event**" means the occurrence of any event that would constitute a Change of Control pursuant to clauses (1), (3) or (4) of the definition thereof; *provided* that immediately prior to the occurrence of such event and immediately thereafter and giving *pro forma* effect thereto, the Consolidated Leverage Ratio of the Issuer would have been (i) if the date of such occurrence is prior to the two-year anniversary of the Issue Date, no higher than 4.0 to 1.0, and (ii) if the date of such occurrence is on or after the two-year anniversary of the Issue Date, less than 3.5 to 1.0. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Issue Date.

"**Standard Securitization Undertakings**" means representations, warranties, covenants, guarantees of performance and indemnities entered into by the Issuer or any Restricted Subsidiary which are reasonably customary in securitization of Receivables transactions.

"**Stated Maturity**" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the issue date thereof, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"**Subordinated Shareholder Debt**" means, collectively, any debt provided to the Issuer by any Parent Entity or any Permitted Holder, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Debt; *provided* that such Subordinated Shareholder Debt:

(1) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the Stated Maturity of the Senior Notes (other than through conversion or exchange of any such security or instrument for Equity Interests of the Issuer (other than Disqualified Stock) or for any other security or instrument meeting the requirements of this definition);

(2) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the Stated Maturity of the Senior Notes;

(3) does not (including upon the happening of any event) provide for the acceleration of its maturity or confer on its holders any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Senior Notes;

(4) is not secured by a lien on any assets of the Issuer or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Issuer;

(5) is subordinated in right of payment to the prior payment in full in cash of the Senior Notes in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Issuer at least to the same extent as the Topco Liabilities (as defined in the Intercreditor Agreement) are subordinated to the Senior Notes under the Intercreditor Agreement;

(6) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Senior Notes, compliance by the Issuer with its obligations under the Senior Notes or compliance by the Issuer under the Senior Notes Indenture;

(7) does not (including upon the happening of an event) constitute Voting Stock; and

(8) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder thereof, in whole or in part, prior to the Stated Maturity of the Senior Notes other than into or for Capital Stock (other than Disqualified Stock) of the Issuer;

provided, however, that upon any event or circumstance that results in such Indebtedness ceasing to qualify as Subordinated Shareholder Debt, such Indebtedness shall constitute an incurrence of such Indebtedness by the Issuer, and any and all Restricted Payments made through the use of the net proceeds from the incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

"**Subsidiary**" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or shareholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof), whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) system is open.

"**Tax**" means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other additions thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax). "**Taxes**" and "**Taxation**" shall be construed to have corresponding meanings.

"**Total Assets**" means the total assets of the Issuer and the Restricted Subsidiaries, as shown on the most recent balance sheet of the Issuer, determined on a consolidated basis in accordance with IFRS.

"**Trade L/C Obligations**" means reimbursement obligations of the Issuer or the Restricted Subsidiaries in respect of letters of credit, guarantees, indemnities or other similar instruments that relate to performance guarantees and do not constitute Indebtedness.

"**Transactions**" has the meaning given to such term in this offering memorandum under the caption "*The Transactions*".

"**Unrestricted Subsidiary**" means any (1) 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 a Subsidiary of the Issuer (including any newly-acquired or newly-formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation, amalgamation or combination, but excluding the Issuer) to be an Unrestricted Subsidiary only if:

(i) such Subsidiary and its Subsidiaries do 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

(ii) such designation and the Investment of the Issuer in such Subsidiary complies with the covenant described above under the caption "*—Certain covenants—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 resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing provisions.

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 (A) no Default or Event of Default would result therefrom and (B) the Issuer could Incur at least €1.00 of additional Indebtedness pursuant to the first paragraph under the covenant described above under the caption "*—Incurrence of Indebtedness and issuance of preferred stock*", on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing provisions.

"**U.S. Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended.

"**U.S. Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Voting Stock**" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"**Weighted Average Life to Maturity**" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

"**Wholly Owned Subsidiary**" means a Restricted Subsidiary, all of the Capital Stock of which (other than director's qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

BOOK-ENTRY, DELIVERY AND FORM

General

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "144A Global Notes"). Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the "144A Global Notes," the "Global Notes"). The Global Notes will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Notes ("144A Book-Entry Interests") and ownership of interests in the Regulation S Global Notes (the "Regulation S Book-Entry Interest" and, together with the 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by, Euroclear and Clearstream and their participants. The Book-Entry Interests in Global Notes will be issued only in 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 interest in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holder" of Notes under the Indentures for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear and Clearstream (or its respective nominee) will be considered the holder of Global Notes for all purposes under the Indentures. As such, participants must rely on the procedures of Euroclear and/or Clearstream and indirect participants must rely on the procedures of Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indentures.

Neither the Issuers, nor the relevant Trustee under the Indentures nor any of the Issuers' respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of Definitive Registered Notes

Under the terms of the Indentures, owners of Book-Entry Interests will receive definitive Notes in registered form (the "Definitive Registered Notes"):

- if Euroclear or Clearstream notifies the relevant Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by such 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 relevant Indenture and enforcement action is being taken in respect thereof under the relevant Indenture.

In such an event, the relevant 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 relevant Indenture or applicable law.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear 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 Issuers understand that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of less than €100,000 principal amount at maturity may be redeemed in part.

Payments on Global Notes

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuers to the respective Principal Paying Agent. In turn, each Principal Paying Agent will make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indentures governing the Notes, the Issuers and the relevant Trustee will treat the registered holder of the Global Notes (*i.e.*, the common depositary for Euroclear and Clearstream (or its nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuers or the relevant Trustee 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 and Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes, will be paid to holders of interest in such Notes through Euroclear and/or Clearstream in euro.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuers that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

The Global Notes will bear a legend to the effect set forth in "*Notice to Investors*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "*Notice to Investors*."

Through and including the 40th day after the later of the commencement of the offering of the Notes and the closing of the Offering (the "40-day Period"), beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note denominated in the same currency only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the applicable Trustee a certificate (in the form provided in the applicable 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 "*Notice to Investors*" and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

After the expiration of the 40-day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note without compliance with these certification requirements.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the applicable Trustee of a written certification (in the form provided in the relevant Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act (if available).

Subject to the foregoing and as set forth in "*Notice to Investors*," Book-Entry Interests may be transferred and exchanged as described under "*Description of the Senior Secured Notes—Transfer and Exchange*" and "*Description of the Senior Notes—Transfer and Exchange*." 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 the 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 the 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 retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Senior Secured Notes—Transfer and Exchange*" and "*Description of the Senior Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the relevant Trustee a written certificate (in the form provided in the relevant Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Notice to Investors*."

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuers provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuers or the Initial Purchasers is responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear 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 or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be admitted to trading on the Euro MTF Market and listed on the Official List of the LxSE. The Issuers expect that secondary trading in any certificated Notes will also be settled in immediately available funds.

Initial Settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser’s and the seller’s accounts are located to ensure that settlement can be made on the desired value date.

TAXATION

Responsibility of the Issuer for the Withholding of Tax at the Source

None of the Issuers assumes any responsibility for the deduction of withholding tax at the source.

German Taxation

The following is a general discussion of certain German tax consequences of the acquisition, ownership and disposition of the Notes. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws (including tax treaties) currently in force and as applied on the date of this offering memorandum in the Federal Republic of Germany which are subject to change, possibly with retroactive effect.

PROSPECTIVE PURCHASERS OF THE NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAXES UNDER THE TAX LAWS APPLICABLE IN THE FEDERAL REPUBLIC OF GERMANY AND EACH COUNTRY OF WHICH THEY ARE RESIDENTS OR WHOSE TAX LAWS APPLY TO THEM FOR OTHER REASONS.

Withholding Tax

For German tax residents (*i.e.*, persons whose residence, habitual abode, statutory seat or place of management is located in Germany), interest payments on the Notes are subject to withholding tax, provided that the Notes are held in custody with a German custodian, who is required to deduct the withholding tax from such interest payments (the “Disbursing Agent”, *auszahlende Stelle*). Disbursing Agents are German resident credit institutions and financial services institutions (including in both cases German permanent establishments of foreign institutions), securities trading companies or securities trading banks. The applicable withholding tax rate is 25% (plus 5.5% solidarity surcharge thereon, the total withholding being 26.375%, and, if applicable, church tax). Individuals subject to church tax may apply in writing for church tax to be levied by way of withholding. Absent such application, such individuals have to include their investment income in their income tax return and will then be assessed to church tax. After December 31, 2014, an electronic information system for church withholding tax purposes will apply in relation to investment income, with the effect that church tax will be collected by the Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the investor will be assessed to church tax.

The withholding tax regime also applies to any capital gains from the disposition or redemption of Notes realized by private investors holding the Notes as private (and not as business) assets in custody with a Disbursing Agent. Subject to exceptions, the amount of capital gains on which the withholding tax charge is applied is generally levied on the difference between the proceeds received upon the disposition or redemption of the Notes (after the deduction of actual expenses directly related thereto) and the acquisition costs. If interest claims are disposed of separately (*i.e.*, without the Notes), the proceeds from the disposition are also subject to withholding tax. The same applies to proceeds from the payment of interest claims if the Notes have been disposed of separately.

If the Notes have not been kept in a custodial account with the same Disbursing Agent since their acquisition and the current Disbursing Agent has not been notified of the actual acquisition costs of the Notes in the form required by law, upon their disposition or redemption withholding tax at a rate of 25% (plus 5.5% solidarity surcharge and, if applicable, church tax) will be imposed on an amount equal to 30% of the proceeds from the disposition or redemption of the Notes (plus interest accrued on the Notes (“Accrued Interest”, *Stückzinsen*).

In computing any withholding tax, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realized by the private individual investor via the Disbursing Agent (*e.g.,* losses from sale of other securities with the exception of shares). The Disbursing Agent may also deduct accrued interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the private individual investor in the custodial account with the Disbursing Agent.

The withholding tax is not applied if the total investment income of a private investor is not exceeding the lump sum deduction (*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), provided that the private individual investor files an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent. Expenses of the private individual investor actually incurred are not deductible. No withholding tax will be levied if a private individual investor has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the competent German tax office.

German resident corporate and other German resident business investors should in essence not be subject to the withholding tax on gains from the disposition, sale or redemption of the Notes (*i.e.*, for these investors only interest payments, but not gains from the sale or redemption of the Notes, are subject to the withholding tax regime). In computing the withholding tax, the Disbursing Agent will not account for any deductions of foreign tax and capital losses incurred.

Private Individual Investors

For private individual investors the withholding tax is—without prejudice to certain exceptions—definitive. Private individual investors can apply to have their income from the investment in the Notes assessed in accordance with the general rules on determining an individual's tax rate if this would result in a lower tax burden. Pursuant to the current view of the German tax authorities (which has recently been rejected by a fiscal court in a non-binding ruling appealed to the German Federal Fiscal Court (*Bundesfinanzhof*)), in this case as well income-related expenses cannot be deducted from the income, except for the aforementioned annual lump-sum deduction.

To the extent withholding tax has not been levied, such as in the case of Notes kept in custody abroad or if no Disbursing Agent is involved in the payment process, the private individual investor must report his or her income and capital gains derived from the Notes on his or her tax return and then will also be taxed at a rate of 25% (plus solidarity surcharge and church tax thereon, where applicable). If the withholding tax on a disposal or redemption of the Notes has been calculated from 30% of the disposal proceeds (rather than from the actual gain), a private individual investor may and in case the actual gain is higher than 30% of the disposal proceeds must also apply for an assessment on the basis of his or her actual acquisition costs.

Losses resulting from the sale, transfer or redemption of the Notes can only be off-set against other investment income. In the event that a set-off is not possible in the assessment period in which the losses have been realized, such losses can be carried forward into future assessment periods only and can be offset against investment income generated in future assessment periods.

Business Investors

Interest payments and capital gains from the disposition or redemption of the Notes held as business assets by German tax resident business investors are generally subject to German income tax or corporate income tax (plus 5.5% solidarity surcharge and church tax (where applicable) thereon). The respective investor will have to report income and related (business) expenses on the tax return and the balance will be taxed at the investor's applicable tax rate. Any withholding tax deducted from interest payments is—subject to certain requirements—creditable. To the extent the amount withheld exceeds the (corporate) income tax liability, the withholding tax is—as a rule—refundable.

The interest payments and capital gains are also subject to trade tax (*Gewerbesteuer*), if the Notes are attributable to a trade or business. The trade tax liability depends on the municipal trade tax factor (*Gewerbesteuerhebesatz*) applicable to the investor. If the holder is an individual or an individual partner of a partnership, the trade tax may generally be completely or partly credited against the personal income tax pursuant to a lump sum tax credit method.

Foreign Tax Residents

Investors not resident in Germany (*i.e*., persons whose residence, habitual abode, statutory seat, and place of effective management and control is not located in Germany) should, in essence, not be taxable in Germany with the proceeds from the investment in the Notes and no German withholding tax should be withheld from such income, even if the Notes are held in custody with a German credit (or comparable) institution. Exceptions apply, *e.g.*, where the Notes are held as business assets in a German permanent establishment, including a permanent representative, or a fixed base of the investor maintained in Germany or the income from the Notes otherwise constitutes German-source income.

Interest payments made under the Notes to a foreign tax resident qualify as German-source income if the obligations under the Notes are directly or indirectly secured by German-situs real estate unless the Notes are issued in the form of global certificates (*Sammelurkunden*) within the meaning of section 9a of the German Securities Custody Act (*Depotgesetz*) or in the form of partial debentures (*Teilschuldverschreibungen*). In the case of interest payments qualifying as German-source income received by a foreign tax resident, subject to certain circumstances, the Issuer may be required to levy withholding tax. Absent a withholding obligation, such foreign tax resident is required to file a (corporate) income tax return in order to be assessed to German (corporate) income tax (plus 5.5% solidarity surcharge thereon). Subject to certain prerequisites, a foreign tax resident investor may benefit from a relief available under an applicable double tax treaty.

Inheritance and Gift Tax

Inheritance or gift taxes with respect to the Notes will, in principle, arise under German law if, in the case of inheritance tax, either the decedent or the beneficiary or, in the case of gift tax, either the donor or the donee is a resident of Germany at the relevant point in time, or if the Notes are attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed in Germany. In addition, certain German expatriates will be subject to inheritance and gift tax. However, applicable double taxation treaties may provide for exceptions to the German domestic inheritance and gift tax regulations.

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. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany.

The EU Commission and certain EU Member States (including Germany) are currently intending to introduce a financial transaction tax (presumably on secondary market transactions involving at least one financial intermediary) which will apply—if at all—not before mid-2014.

EU Savings Directive

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

By legislative regulations dated January 26, 2004 the German Federal Government enacted provisions implementing the information exchange on the basis of the EU Savings Directive into German law. These provisions apply since July 1, 2005.

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

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from January 1, 2015, in favor of automatic information exchange under the Directive. On March 18, 2014, a draft law was introduced into parliament by the Luxembourg Minister of Finance with a view to amend the laws of 21 June 2005 in that sense.

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

Luxembourg Taxation

The following is a description of certain material Luxembourg withholding tax consequences of purchasing, owning and disposing of the Notes. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase, own or deposit the Notes, and is not intended to be, nor should it construed to be, legal or tax advice. Prospective purchasers of the Notes should consult their own tax advisors as to the applicable tax consequences of the ownership of the Notes, based on their particular circumstances. The following description of Luxembourg tax law is based upon the Luxembourg law and regulations as in effect and as interpreted by the Luxembourg tax authorities on the date of this offering memorandum and is subject to any amendments in law (or in interpretation) later introduced, whether or not on a retroactive basis.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Non-resident Noteholders

Under current Luxembourg tax laws and subject to the application of the Luxembourg laws dated June 21, 2005 (the "June 2005 Laws") implementing the Savings Directive (as defined above) and related agreements (the "Agreements") concluded between Luxembourg and certain dependent and associated territories of the European Union (*i.e.*, Aruba, British Virgin Islands, Guernsey, Isle of Man, Jersey, Montserrat, as well as the former Netherlands Antilles, *i.e.*, Bonaire, Curaçao, Saba, Sint Eustatius and Sint Maarten—collectively the "Associated Territories"), there is no withholding tax on interest or similar income (paid or accrued) and other payments (*e.g.*, repayment of principal) to non-resident Noteholders, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the June 2005 Laws, a Luxembourg-based paying agent (within the meaning of the Savings Directive) is required to withhold tax on interest and similar income paid by it to (or under certain circumstances, to the immediate benefit of) an individual or a residual entity in the sense of article 4.2. of the EU Savings Directive (*i.e.*, an entity (i) without legal personality, except for a Finnish *avoin yhtiö* and *kommandiittiyhtiö / öppet bolag* and *kommanditbolag* and a Swedish *handelsbolag* and *kommanditbolag*, (ii) whose profits are not taxed under the general arrangements for the business taxation and (iii) that is not, or has not opted to be considered as, an undertaking for collective investment in transferable securities ("UCITS") recognized in accordance with Council Directive 2009/65/EC, resident or established in another EU Member State as Luxembourg or in any of the Associated Territories, unless the beneficiary of the interest payments or the similar income elects for the exchange of information procedure or for the tax certificate procedure. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent.

The withholding tax is currently levied at the rate of 35%. Furthermore, the Luxembourg government has publicly announced that Luxembourg will replace the current withholding regime with respect to the EU Savings Directive with an automatic information exchange mechanism as of January 1, 2015. On March 18, 2014, a draft law was introduced into parliament by the Luxembourg Minister of Finance with a view to amend the laws of June 21, 2005 in that sense.

Noteholders should inform themselves of, and where appropriate take advice on, the impact of the Savings Directive on their investment.

Resident Noteholders

The terms "interest," "paying agent" and "residual entity" used hereafter have, with certain exceptions, the same meaning as in the June 2005 Laws.

Under current Luxembourg tax laws and subject to the application of the Luxembourg law dated December 23, 2005, as amended from time to time (the "December 2005 Law") there is no withholding tax on interest or similar income (paid or accrued) and other payments (*e.g.*, repayment of principal) made by the Issuer (or its paying agent, if any) to Luxembourg resident Noteholders, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

According to the December 2005 Law, a 10% withholding tax is levied on payments of interest or similar income made by Luxembourg paying agents to (or for the benefit of) Luxembourg resident individual Noteholders or to certain foreign residual entities securing the interest for such Luxembourg resident individual Noteholders. This withholding tax also applies on accrued interest received upon sale, disposal, redemption or repurchase of the Notes. Such withholding tax is in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth who does not and is not deemed to hold the Notes as business assets. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent.

Luxembourg resident individuals acting in the course of the management of their private wealth and who do not and are not deemed to hold the Notes as business assets, and who are the beneficial owners of payments of interest or similar income made by a paying agent established outside Luxembourg in a Member State of the European Union or the European Economic Area or in a jurisdiction having concluded an agreement with Luxembourg in connection with the EU Savings Directive may opt for a final 10% levy. In such case, the 10% levy is calculated on the same amounts as for the payments made by Luxembourg paying agents. The option for the 10% final levy must cover all interest payments made by paying agents to the beneficial owner during the entire civil year.

Prospective Investors are recommended to consult their own tax advisors as to the individual tax consequences arising from the investment in the Notes.

U.S. Taxation

The following discussion is a summary based on present law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes. This discussion addresses only U.S. Holders (as defined below) who purchase Notes in the original offering at the original offering price, hold the Notes as capital assets and use the U.S. dollar as their functional currency. This discussion is not a complete description of all U.S. tax considerations relating to the Notes. It does not address the tax treatment of prospective purchasers subject to special rules, such as banks, dealers in securities or currencies, traders that elect to mark-to-market, insurance companies, investors liable for the alternative minimum tax, U.S. expatriates, tax-exempt entities or persons holding the Notes as part of a hedge, straddle, conversion or other integrated financial transaction. It also does not address the tax treatment of U.S. Holders that will hold the Notes in connection with a permanent establishment or fixed base outside of the United States. It does not consider U.S. federal estate or gift taxes, U.S. state or local tax matters or non-U.S. tax considerations. It assumes that the Notes will be treated as debt for U.S. federal income tax purposes.

THE FOLLOWING STATEMENTS ABOUT U.S. FEDERAL TAX ISSUES ARE MADE TO SUPPORT MARKETING OF THE NOTES. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE NOTES UNDER THE LAWS OF GERMANY, THE UNITED STATES, THEIR CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation (or other business entity treated as a corporation) that is organized under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The tax treatment of a partner in a partnership (or an entity treated as a partnership for U.S. federal income tax purposes) that acquires, owns or disposes of the Notes generally will depend upon the status of the partner and the activities of the partnership. A prospective investor that is a partnership should consult its own advisors about the tax consequences for its partners of the acquisition, ownership or disposition of the Notes.

Interest

A U.S. Holder must include stated interest on the Notes (and additional amounts paid on account of foreign withholding tax, if any) in gross income in accordance with its regular method of tax accounting. Interest on the Notes and additional amounts, if any, will be ordinary income from sources outside the United States. Subject to applicable limitations, a U.S. Holder may claim a deduction or a foreign tax credit only for tax withheld at the appropriate rate.

If the Notes are issued with more than de minimis original issue discount ("OID"), a U.S. Holder must accrue the OID into income on a constant yield to maturity basis whether or not it receives cash payments. The Notes will have been issued with more than de minimis OID if their stated redemption price at maturity exceeds their issue price by at least 0.25% multiplied by the number of complete years to maturity. The OID will be the amount by which the stated redemption price at maturity exceeds the issue price. The issue price of the Notes is the initial offering price at which a substantial amount of the Notes are sold to the public (excluding sales to brokers or similar persons). The stated redemption price at maturity is the sum of all payments due on a Note other than payments of stated interest. OID will be treated as ordinary income from sources outside of the United States.

A cash basis U.S. Holder receiving interest in euro must include in income a U.S. dollar amount based on the spot exchange rate on the date of receipt whether or not the payment is converted to U.S. dollars. An accrual basis U.S. Holder (and a cash basis U.S. Holder accruing original issue discount) generally must include in income a U.S. dollar amount based on the average exchange rate during the accrual period (or, for an accrual period that spans two taxable years, the partial accrual period within each taxable year). Upon receipt of a payment in euro, U.S. Holders that have accrued interest or OID will recognize exchange gain or loss equal to any difference between the U.S. dollar amount accrued and the U.S. dollar value of the payment received at the spot exchange rate on the date of receipt. Exchange gain or loss generally will be U.S. source ordinary income or loss.

An accrual basis U.S. Holder (and a cash basis U.S. Holder with respect to OID) may elect to translate accrued interest into U.S. dollars at the spot exchange rate on the last day of the accrual period (or the last day of the first taxable year for the initial portion of an accrual period that spans two taxable years) or the spot exchange rate on the date of receipt in the case of interest received within five business days of the last day of the accrual period. Currency translation elections apply to all debt instruments that the electing U.S. Holder holds or acquires, and they cannot be revoked without the consent of the U.S. Internal Revenue Service ("IRS").

Disposition

A U.S. Holder generally will recognize gain or loss on a sale, redemption or other disposition of a Note in an amount equal to the difference between the U.S. dollar value of the amount realized (less any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will be the amount paid for the Note reduced by any payments other than stated interest. If a U.S. holder uses foreign currency to purchase a Note, the cost of the Note will be the U.S. dollar value of the foreign currency purchase price determined at the spot rate on the closing date of the initial offering. The conversion of U.S. dollars to a foreign currency and the immediate use of that currency to purchase a Note generally will not result in taxable gain or loss for a U.S. holder.

Gain or loss on disposition of a Note will generally be U.S. source capital gain or loss except to the extent of any exchange gain or loss. Payments that are attributable to accrued interest or OID will be treated as interest or OID for U.S. federal income tax purposes and will be treated in accordance with the rules applicable to interest and OID discussed above. Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year at the time of disposition. A non-corporate U.S. Holder's long-term capital gain may be taxed at lower rates. Deductions for capital losses are subject to limitations.

A U.S. Holder that receives currency other than U.S. dollars upon sale or other taxable disposition of the Notes will realize an amount equal to the U.S. dollar value of the currency on the date of disposition. If the Notes are traded on an established securities market, a cash basis U.S. Holder (or an accrual basis U.S. Holder who so elects) will determine the amount realized on the settlement date. Such U.S. Holder will have a tax basis in the currency received equal to the U.S. dollar amount realized on the settlement date. In all other cases, since the amount realized is based on the spot rate in effect on the date of the taxable disposition of the Notes, (i) the taxpayer will realize foreign exchange gain or loss to the extent the U.S. dollar value of the currency received (based on the spot rate in effect on the date of receipt) differs from the U.S. dollar value of the currency on the date of the disposition, and (ii) the taxpayer's basis in the currency received will equal the U.S. dollar value of the currency, based on the spot rate in effect on the date of receipt. Any gain or loss realized by a U.S. Holder on a subsequent conversion of currency for U.S. dollars will generally be U.S. source ordinary income or loss. Any exchange gain or loss realized by a U.S. Holder generally will be U.S. source ordinary income or loss.

A U.S. Holder generally will recognize exchange gain or loss on sale or other taxable disposition of a Note equal to the difference between the U.S. dollar value of the principal amount of the Note on (i) the closing date of the initial offering and (ii) the date of disposition (or, if the Notes are traded on an established securities exchange and the U.S. Holder is a cash basis or an electing accrual basis holder, the settlement date). Exchange gain or loss cannot exceed overall gain or loss realized on disposition of the Note. Exchange gain or loss generally will be U.S. source ordinary income or loss.

Reportable Transactions

A sale, exchange, retirement or other taxable disposition of a Note or of foreign currency received in respect of a Note that results in a recognized loss in excess of a threshold amount may be required to be reported to the IRS. U.S. Holders subject to these reporting rules that fail to timely file a required disclosure may be subject to substantial penalties. Potential investors should consult with their own tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes.

Information Reporting and Backup Withholding

Payments of interest and proceeds from the sale, redemption or other disposition of a Note may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. A holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding tax and a refund of any excess.

Certain rules may require U.S. Holders to report to the IRS information with respect to Notes not held through an account with certain financial institutions. Investors who fail to report required information could become subject to substantial penalties. Potential investors should consult their own tax advisors regarding the possible implications of these rules for their investment in Notes.

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

The Notes should be eligible for purchase by employee benefit plans and other plans subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and/or the provisions of Section 4975 of the Code and by governmental, church and non-U.S. plans that are subject to state, local, other federal law of the United States or non-U.S. law that is substantially similar to ERISA or the Code ("Similar Law") subject to consideration of the issues described in this section. ERISA imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under "Risk Factors."

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans"), and entities whose underlying assets include "plan assets" by reason of a Plan's investment in such entity (together with Plans, "Benefit Plan Investors")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Benefit Plan Investors, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person, including a Benefit Plan Investor fiduciary, who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The Issuers, the Guarantors, the Initial Purchasers, the Trustee or any other party to the transactions referred to in this offering memorandum may be parties in interest or disqualified persons with respect to many Benefit Plan Investors. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Notes is acquired or held by a Benefit Plan Investor, including but not limited to where the Issuers, the Guarantors, the Initial Purchasers, the Trustee or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Benefit Plan Investor fiduciary making the decision to acquire any Notes and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption ("PTCE") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisors regarding the prohibited transaction rules and these exceptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Notes.

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

Accordingly, each purchaser and subsequent transferee of any Notes will represent and warrant, on each day from the date on which the purchaser or transferee acquires such Notes (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Notes (or any interest therein), (1) either (A) it is not, and it is not acting on behalf of (and for so long as it holds such Notes or any interest therein will not be, and will not be acting on behalf of), a Plan, a Benefit Plan Investor, or a governmental, church or non-U.S. plan which is subject to Similar Laws, and no part of the assets used or to be used by it to acquire or hold such Notes or any interest therein constitutes the assets of any such Plan, Benefit Plan Investor or governmental, church or non-U.S. plan which is subject to Similar Laws, or (B)(i) its acquisition, holding and disposition of such Notes or any interest therein does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws); and (ii) none of the Issuers, the Guarantors, the Initial Purchasers, the Trustee or any of their respective affiliates, is a sponsor of, or a fiduciary (within the meaning of Section 3(21) of ERISA or, with respect to a governmental, church or non-U.S. plan, any definition of "fiduciary" under Similar Laws) with respect to, the acquirer, transferee or holder in connection with any acquisition or holding of such Notes, or as a result of any exercise by the Issuers or any of their affiliates of any rights in connection with such Notes, and no advice provided by the Issuers or any of their affiliates has formed a primary basis for any investment or other decision by or on behalf of the acquirer or holder in connection with such Notes and the transactions contemplated with respect to such Notes; and (2) it will not sell or otherwise transfer such Notes or any interest therein otherwise than to a purchaser or transferee that is deemed (or if required by the applicable indenture, certified) to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes or any interest therein.

Each Benefit Plan Investor fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the Notes should determine whether, under the documents and instruments governing the Benefit Plan Investor, an investment in such Notes is appropriate for the Benefit Plan Investor, taking into account the overall investment policy of the Benefit Plan Investor and the composition of the Benefit Plan Investor's investment portfolio. Any Benefit Plan Investor proposing to invest in such Notes (including any governmental, church or non-U.S. plan) should consult with its counsel to confirm that such investment will not constitute or result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any Similar Law).

The sale of any Notes to a Benefit Plan Investor is in no respect a representation by the Issuers, the Guarantors, the Initial Purchasers, the Trustee or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Benefit Plan Investors generally or any particular Benefit Plan Investor, or that such an investment is appropriate for Benefit Plan Investors generally or any particular Benefit Plan Investor.

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE NOTES GUARANTEES AND SECURITY INTERESTS

The validity and enforceability of the Collateral will be subject to certain limitations on enforcement and may be limited under applicable law or subject to certain defenses that may limit its validity and enforceability. The following is a brief description of limitations on the validity and enforceability of the Notes, the Notes Guarantees and the Collateral and of certain insolvency law considerations in the jurisdictions in which Notes Guarantees or Collateral are being provided. The descriptions below do not purport to be complete or discuss all of the limitations or considerations that may affect the Notes, the Notes Guarantees or other security interests. Proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Notes Guarantees and the security interests on the Collateral. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations. Please see "Risk Factors—Risks related to the Notes—Enforcement of the Collateral across multiple jurisdictions may be difficult." and "Risk Factors—Risks related to the Notes—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability." If additional collateral is required to be granted in the future pursuant to the Indentures, such collateral will also be subject to limitations and enforceability and validity, which may differ from those discussed below.

European Union

The Issuers and certain of the Guarantors are organized under the laws of member states of the European Union.

Pursuant to EU Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the member state (other than Denmark) where the company concerned has its "center of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its "center of main interests" is a question of fact on which the courts of the different EU member states may have differing and even conflicting views.

The term "center of main interests" is not a static, but rather a fact and circumstances based concept and may hence change from time to time. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that a company would have its respective "center of main interests" in the member state in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "center of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties." The European Court of Justice has ruled in a recent judgment that a debtor company's main center of interests must be determined by attaching greater importance to the place of the company's central administration, as may be established by objective factors which are ascertainable by third parties. Where the bodies responsible for the management and supervision of a company are in the same place as its registered office and the management decisions of the company are taken, in a manner that is ascertainable by third parties, in that place, the presumption, that the center of the company's main interests is located in that place, shall be irrebuttable. Where a company's central administration is, however, not in the same place as its registered office, the presence of company assets and existence of contracts for the financial exploitation of those assets in a member state other than that in which the registered office is situated cannot be regarded as sufficient factors to rebut the above mentioned presumption, unless a comprehensive assessment of all relevant factors makes it possible to establish, 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. The factors to be taken into account include, in particular, all places in which the debtor company pursues economic activities and all those in which it holds assets, in so far as they are ascertainable by third parties.

If the center of main interests of such a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of such 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, with these proceedings governed by the *lex fori concursus, i.e.* the local laws of the court opening such main insolvency proceeding. Insolvency proceedings opened in one member state under the EU Insolvency Regulation are to be recognized in the other EU Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the "center of main interests" of a debtor is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "territorial proceedings" only in the event that such debtor has an "establishment" in the territory of such other Member State. The effects of those territorial proceedings are restricted to the assets of the debtor located in the territory of such other Member State. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such issuer or guarantor under the EU Insolvency Regulation.

In the event that an Issuer 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 an Issuer and the collateral provided by such Issuer or 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.

Belgium

Insolvency

Some Guarantors are incorporated under the laws of Belgium (the "Belgian Guarantors"). Provided Belgium is the territory in which the center of a Belgian Guarantor's main interests is situated, main insolvency proceedings may be initiated in Belgium. Such proceedings would then be governed by Belgian law. Under certain circumstances, Belgian law also allows bankruptcy proceedings to be opened in Belgium over the assets of companies that are not established under Belgian law.

The following is a brief description of certain aspects of Belgian insolvency law. Belgian insolvency laws provide for two insolvency proceedings: judicial restructuring proceedings (*gerechtelijke reorganisatie/réorganisation judiciaire*) and bankruptcy proceedings (*faillissement/faillite*). Note that in addition, Belgian law allows for liquidation in deficit (*deficitaire vereffening/liquidation déficitaire*). The latter proceedings will not be further discussed.

Judicial restructuring

A debtor may (and in limited circumstances, its creditors, interested third parties or the public prosecutor) file a petition for judicial restructuring if the continuity of the enterprise is at risk, whether immediately or in the future. If the net assets of the company have fallen under 50% of the company's registered capital, the continuity of the enterprise is always presumed to be at risk.

As from the filing of the petition with the competent commercial court overseeing the judicial restructuring and for as long as such court has not issued a judgment thereon, the debtor cannot be declared bankrupt or wound up by court order. Furthermore, during this period, with limited exceptions, none of the debtor's assets may be realized by any of its creditors as a result of the enforcement of any security interests that such creditors may hold with respect to such assets.

Within a period of fourteen days as from the filing of the petition and subject to the satisfaction of the filing conditions, the court may decide to open the judicial restructuring procedure, thereby, granting a temporary moratorium to the debtor for a period of maximum six months. At the request of the debtor and pursuant to the report issued by the delegated judge, the moratorium period can thereafter be extended (once or several times) up to a total maximum period of twelve months as from the judgment opening the judicial restructuring. In exceptional circumstances (such as due to the size of the business, the complexity of the case or the impact of the procedure on employment), and in the interest of the creditors, the court may order an additional extension of the moratorium period for six months.

The granting of the temporary moratorium operates as a stay. No enforcement measures with respect to preexisting claims in the moratorium can be continued or initiated against any of the debtor's assets from the time that the moratorium is granted until the end of the period, with limited exceptions.

Conservatory attachments that existed prior to the opening of the judicial restructuring retain their conservatory character, but the court may order their release, provided that such release does not have a material adverse effect on the situation of the creditor concerned.

If receivables are pledged by the debtor in favor of a creditor prior to the opening of the judicial restructuring proceedings, such pledge will not be affected by the moratorium (provided the receivables are pledged specifically to that creditor from the moment the pledge is created), and the holder of such pledged receivables is permitted to take enforcement measures against the estate of the initial counterparty of the debtor (e.g., the debtor's customers) during the moratorium. A pledge on financial instruments within the meaning of the Belgian Collateral Act (*Wet Financiële Zekerheden/Loi sur les Sûretés Financières*) can be enforced notwithstanding the enforcement prohibition imposed by the moratorium, subject to limited exceptions. Personal guarantees granted by third parties in favor of the debtor's creditors are not covered by the enforcement prohibition imposed by the moratorium, nor are the debts payable by co-debtors, subject to certain exceptions or qualifications in respect of guarantees granted by individuals. The moratorium also does not prevent the voluntary payment by the debtor of claims covered by the moratorium, to the extent such payment is necessary for the continuity of the enterprise. However, in respect of an enforcement over pledged cash falling within the scope of the Belgian Collateral Act, the enforcement prohibition applies, with limited exceptions (notably in the event of a payment default), if the judicial reorganization procedure affects (i) a corporate debtor which is not a public or financial legal entity in the meaning of the Belgian Collateral Act or (ii) a public or financial legal entity but the creditor is not such an entity.

During judicial restructuring proceedings, the board of directors and management of the debtor continue to exercise their management functions. However, upon request of the debtor or any other interested party and to the extent it is deemed useful for reaching the aims of the restructuring, the court may appoint, in its decision to open the judicial restructuring procedure or at any other point in time during the course of the procedure, a judicial administrator (*gerechtsmandataris/mandataire de justice*) to assist the debtor during the moratorium. The court may also appoint a judicial administrator, upon request of any interested party or the public prosecutor, in the event of manifestly grave shortcomings or bad faith of the debtor or any of its corporate bodies, to either exercise particular tasks indicated by the court, or to replace the debtor or any of its corporate bodies for the duration of the moratorium. In addition, in the event of manifestly gross error or manifest bad faith, a court appointed temporary director (*voorlopig bestuurder/administrateur provisoire*) may be appointed.

The restructuring procedure aims to preserve the continuity of a company as a going concern. Consequently, the initiation of the judicial reorganization proceedings does not terminate any contracts, and contractual provisions which provide for the early termination or acceleration of the contract upon the initiation or approval of a restructuring procedure, and certain contractual terms such as default interest, may not be enforceable during such a procedure. Such enforcement prohibition applies, with a few exceptions, to close-out netting provisions as well, if the judicial reorganization procedure affects (i) a corporate debtor which is not a public or financial legal entity in the meaning of the Belgian Collateral Act or (ii) a public or financial legal entity but the creditor is not such an entity. The Belgian law on judicial restructuring provides that a creditor may not terminate a contract on the basis of a debtor's default that occurred prior to the restructuring procedure if the debtor remedies such default within a 15-day period following the notification of such default.

As an exception to the general rule of continuity of contracts, the debtor may cease performing a contract during the restructuring proceedings, provided that the debtor notifies the creditor and that such default is necessary for the debtor to be able to propose a reorganization plan to its creditors or to transfer all or part of the enterprise or its assets. The exercise of this right does however not prevent the creditor from suspending in turn the performance of its own obligations.

Judicial restructuring by collective agreement, by amicable settlement or by court ordered transfer of enterprise

Judicial restructuring proceedings may result in an amicable settlement between the debtor and two or more of its creditors or a collective agreement.

The type of reorganization may change during the proceedings and may also depend on the position of the court and all parties involved. In the case of an amicable settlement, the parties to such amicable settlement will be bound by the terms they have agreed.

In the case of a judicial restructuring by collective agreement, the creditors agree to a restructuring plan during the restructuring procedure. The plan may include measures such as the reduction or rescheduling of liabilities and interest obligations and the swap of debt into equity. It must be filed with the Clerk's Office of the Commercial Court at least 20 days in advance of the date on which the creditors will vote on the approval of the restructuring plan. The court needs to ratify the restructuring plan prior to it taking effect. A restructuring plan approved by a double majority of the creditors (both in headcount and in value of the claims) and by the court will bind all creditors, including those who voted against it or did not vote and whether secured or not (the measures which can be imposed on creditors holding security rights are however limited to suspension of their claims). The court may refuse ratification if the conditions of the judicial restructuring act were not met, or if the proposed restructuring plan violates public policy.

Within a period of 14 days following the judgment opening the judicial restructuring proceedings, the debtor must inform each of its creditors individually of the amount of its claims against the debtor as recorded in the books of the debtor, as well as of details regarding security interests, if applicable. Creditors with pre-existing claims, as well as any other interested party that claims to be a creditor, can challenge the amounts and the ranking of the secured claims declared by the debtor. The court can determine the disputed amounts and the ranking of such claims on a preliminary basis for the purpose of the restructuring procedure, or definitively, on the condition that it has jurisdiction in that respect but that the decision relating to the dispute cannot be taken in a sufficiently short time frame. In addition, the court can, upon joint request by the debtor and the creditor, change the amount and the ranking of the claim initially declared by the debtor at the latest 15 days before the date on which the creditors will vote on the reorganization plan. If a creditor has not challenged the amount and the ranking of its claim at least 14 days in advance of the date on which the creditors will vote on the approval of the reorganization plan, the amount of its claim will remain unchanged for voting purposes as well as for the purposes of the reorganization plan.

The debtor must use the moratorium period to complete and finalize a restructuring plan, with the assistance of the court appointed judicial administrator (gerechtsmandataris/mandataire de justice), as the case may be.

The court ordered transfer of all or part of the debtor's enterprise can be requested by the debtor in its petition or at a later stage in the procedure. It may also be requested by the public prosecutor, by a creditor or by any party who has an interest in acquiring, in whole or in part, the debtor's enterprise, and the court can order such transfer in specific circumstances.

The court-ordered transfer will be organized by one or more judicial administrators. Following the transfer, the recourse of the creditors will in most cases be limited to the transfer price.

Bankruptcy

Bankruptcy proceedings may be initiated by the debtor, by unpaid creditors or upon the initiative of the Public Prosecutor's office, by the provisional administrator of the debtor's assets, by the liquidator of the debtor's assets or by the liquidator of 'main insolvency proceedings' opened in another EU member state (other than Denmark) in accordance with the EU Insolvency Regulation. Once the court ascertains that the requirements for bankruptcy are met, the court will establish a date by which all creditors' claims must be submitted to the court for verification.

Conditions for a bankruptcy order (*aangifte van faillissement/déclaration de faillite*) are that the debtor must be in a situation of cessation of payments (*staking van betaling/cessation de paiements*) and be unable to obtain further credit (*wiens krediet geschokt is/ébranlement du crédit*). Cessation of payments is generally considered as the inability of the debtor to pay its debts as they fall due. Such situation must be persistent and not merely temporary. In bankruptcy, the debtor loses all authority and decision rights concerning the management of the bankrupt business. The bankruptcy receiver (*curator/curateur*), appointed by the court, becomes responsible for the operation of the business and implements the sale of the debtor's assets, the distribution of the sale proceeds to creditors and the liquidation of the debtor. The rights of creditors in the process are limited to being informed of the course of the bankruptcy proceedings on a regular basis by the receiver. Creditors may oppose the sale of assets by bringing an action before the court, or may request the temporary continued operation of the business.

The receiver must decide whether or not to temporarily continue performance under ongoing contracts (*i.e.*, contracts existing before the bankruptcy order). The receiver may elect to continue the business of the debtor, provided the receiver obtains the authorization of the court and such continuation does not cause any prejudice to the creditors. However, two exceptions apply:

- the parties to an agreement may contractually agree that the occurrence of a bankruptcy constitutes an early termination or acceleration event; and
- *intuitu personae* contracts (*i.e.*, contracts whereby the identity of the other party constitutes an essential element upon the signing of the contract) are automatically terminated as of the bankruptcy judgment since the debtor is no longer responsible for the management of the company.

The bankruptcy receiver may elect not to perform the obligations of the bankrupt party which are still to be performed after the bankruptcy under any agreement validly entered into by the bankrupt party prior to the bankruptcy if such decision is necessary for the management and the liquidation of the bankrupt estate. The counterparty to an ongoing contract may summon the receiver to take a decision within 15 days. If no extension of the 15 days term is agreed upon or if the received does not take any decision, the ongoing contract is presumed to be terminated after the expiration of the 15 days term. The counterparty to that agreement may make a claim for damages in the bankruptcy and such claim will rank pari passu with claims of all other unsecured creditors and/or seek a court order to have the relevant contract dissolved. The counterparty may not seek injunctive relief or require specific performance of the contract.

As a general rule, the enforcement rights of individual creditors are suspended upon the rendering of the court order opening bankruptcy proceedings, and after such order is made, only the bankruptcy receiver may proceed against the debtor and liquidate its assets. However, such suspension does not apply to a pledge of financial instruments or cash held on account, falling with the scope of the Belgian Collateral Act.

For creditors with claims secured by movable assets, such suspension would normally be limited to the period required for the verification of the claims. At the request of the bankruptcy receiver, the suspension period may be extended for up to one year from the bankruptcy judgment. Such extension requires a specific order of the court which can only be made if the further suspension will allow for a realization of the assets in the interest of all creditors without prejudicing the secured creditors and provided that those secured creditors have been given the opportunity to be heard by the court.

For creditors with claims secured by immovable assets, the intervention of the bankruptcy receiver is necessary to pursue the sale of the assets. The receiver will do so upon an order of the court, given either at its request or at the request of a mortgagee. A first-ranking mortgagee will generally be entitled to pursue the enforcement of its mortgage as soon as the report of claims has been finalized; the court may suspend such enforcement for a period of not more than one year from the date of the bankruptcy if the suspension will allow for a realization of the assets without prejudicing the mortgagee provided that the mortgagee has been given the opportunity to be heard by the court.

If a security, such as a pledge, has been granted over assets that, at the time of opening of an insolvency proceeding, are located in another EU Member State, the rights the creditor has under such security shall, in accordance with the Insolvency Regulation, not be affected by the opening of such insolvency proceedings.

As from the date of the bankruptcy judgment, no further interest accrues against the bankrupt debtor on its unsecured debt, or debts secured by a general privilege, such as tax administration or social security.

The debts of the bankrupt estate generally will be ranked as to priority on the basis of complex rules. The following is a general overview of such rules:

- Estate debt: Costs and indebtedness incurred by the receiver during the bankruptcy proceedings, the so-called "estate debts," have a senior priority. In addition, if the receiver has contributed to the realization and enforcement of secured assets, such costs will be paid to the receiver in priority out of the proceeds of the realized assets before distributing the remainder to the secured creditors.
- Security interests: Creditors that hold a security interest have a priority right over the secured asset (whether by means of appropriation of the asset or on the proceeds upon realization).
- Privileges: Creditors may have a particular privilege on certain or all assets (e.g., tax claims, claims for social security premiums, etc.). Privileges on specific assets rank before privileges on all assets of the debtor.
- Pari passu: Once all estate debts and creditors having the benefit of security interests and privileges have been satisfied, the proceeds of the remaining assets will be distributed by the receiver among the unsecured creditors who rank pari passu (unless a creditor agreed to be subordinated).

Limitations on Enforcement of the Notes, the Guarantees and security interests

The grant of a guarantee or collateral by a Belgian company for the obligations of another group company must fall within the grantor's legal and corporate purpose and be for the own corporate benefit of the granting company.

If the granting of a guarantee or the creation of a security interest does not fall within the grantor's corporate purpose, then such guarantee or security interest could, upon certain conditions, be held null and void. The assessment of whether or not the grant of a guarantee or security interest is in each of the Belgian guarantor's own corporate interest, is largely dependent on factual considerations and is to be determined on a case-by-case basis by the board of directors or manager(s) of each of the Belgian guarantors and to be reviewed ultimately on a case-by-case basis by the competent courts. Consideration has to be given to any actual or real benefit that such Belgian guarantor would derive from the transaction; this is particularly relevant for upstream or cross-stream guarantees and security interests. It is generally considered by legal scholars that at least the following principles apply to such evaluation: (i) the risk taken by the Belgian guarantor in issuing the guarantee must be proportional to the direct and/or indirect benefit derived from the transaction; and (ii) the financial support granted by the Belgian guarantor should not exceed its financial capabilities. The responsibility for such assessment lies with the board of directors or manager(s) of the Belgian guarantors.

If the corporate benefit requirement is not met, the board of directors or manager(s) of the Belgian guarantor may be held liable (i) by the company for negligence in the management of the company and (ii) by third parties in tort. Moreover, the guarantee or security interest could be declared null and void and, under certain circumstances, the creditor that benefits from the guarantee or security interest may also be held liable on the basis of the principles of tort liability. Alternatively, the guarantee or security interest could be reduced to an amount corresponding to the corporate benefit and, under certain circumstances, the creditor could be held liable on the basis of the principles of tort liability for any guarantee amount in excess of such amount. These rules have however seldom been tested under Belgian law, and there is only limited case law on this issue.

In order to enable Belgian subsidiaries to grant a guarantee or security interest to secure liabilities of a direct or indirect parent or sister company without the risk of violating Belgian rules on corporate benefit, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain so-called "*limitation language*" in relation to subsidiaries incorporated or established in Belgium. Accordingly, the relevant Indentures and the Credit Facilities Agreements will contain limitation language on the basis of which the total maximum guarantee liabilities of each Belgian guarantor in relation to all Secured Debt Documents will be limited to the highest of:

(a) an amount equal to 90% of such Belgian Guarantor's net assets (*netto actief / actif net*) (as determined in accordance with Article 617 or Article 320, as the case may be, of the Belgian Companies Code and the Belgian accounting laws, but not taking intra-group debts into account as debts) as shown by its most recent audited annual financial statements at the original signing date of the Intercreditor Agreement;

(b) an amount equal to 90% of such Belgian Guarantor's net assets (*netto actief / actif net*) (as determined in accordance with Article 617 or Article 320, as the case may be, of the Belgian Companies Code and the Belgian accounting laws, but not taking intra-group debts into account as debts) as shown by its most recent audited annual financial statements on the date on which a demand is made on one or more guarantees granted by the relevant Belgian guarantor under the relevant Indentures and the Credit Facilities Agreements; and

(c) the aggregate amount outstanding on the date on which the relevant demand is made of:

    (i) the principal amount made available to such Belgian guarantor and its subsidiaries from the proceeds of the Notes and the facilities made available under the Credit Facilities Agreements; and

    (ii) the aggregate amount of any intragroup loans or facilities made to it by any group company directly and/or indirectly using all or part of the proceeds of the Notes and/or the facilities made available under the Credit Facilities Agreements (whether or not such intragroup loan is retained by the Belgian guarantor for its own purposes or on-lent to a subsidiary of such Belgian guarantor).

For the purpose of this section relating to the guarantees that will be granted by the Belgian guarantors, "Secured Debt Documents" means the Credit Facilities Agreements, the relevant Indentures, the Hedging Agreements and any other related agreement having the benefit of the Collateral.

The secured liabilities under the Security Documents granted by a Belgian guarantor will be subject to the same limitations.

Financial Assistance

Any guarantee or security interest granted by a Belgian Guarantor which constitutes a breach of the provisions on financial assistance as defined by article 329 and 629 of the Belgian Companies Code might not be enforceable.

Security Trustee and Parallel Debt

As there is no established concept of "trust" or "trustee" under the present Belgian legal system, the precise nature, effect and enforceability of the duties, rights and powers of the Security Agent as agent or trustee for the noteholders with respect to certain Belgian law collateral (other than financial collateral subject to the Belgian Collateral Act) is debated under Belgian law. As a result, Belgian courts may not recognize the effects of any trust provisions in relation to assets that are subject to the security and located in Belgium and held by or granted to the Security Agent, meaning that the noteholders may have a credit risk on the Security Agent.

The Intercreditor Agreement shall provide for the creation of a "parallel debt." Pursuant to the parallel debt and subject to the terms of the Intercreditor Agreement and to applicable law, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor to any Secured Party under any Secured Debt Document as and when those amounts are due. The pledges over receivables governed by Belgian law will secure the parallel debt and may not directly secure the obligations under the Notes and the other indebtedness secured by the Collateral. As a result, any noteholders that are not direct pledgees under such pledges will have a credit risk on the Security Agent. The parallel debt procedure has not been tested under Belgian law, and there is no certainty that it will eliminate or mitigate the risk of unenforceability posed by Belgian law. To the extent that the Security Interests in the Collateral created under the parallel debt structure are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of the security interest in the Collateral.

However, pledge agreements over financial collateral subject to the Belgian Collateral Act (such as the shares of Belgian companies or bank accounts) may be entered into with a representative of noteholders having the right to enforce the pledge on behalf of the noteholders, provided that the noteholders can be identified on enforcement.

Hardening Periods and Fraudulent Transfer

In the event that bankruptcy proceedings are governed by Belgian law, certain transactions may be declared ineffective against third parties if concluded or performed by the debtor during the so-called "hardening period."

In principle, the cessation of payments (which constitutes a condition for filing for bankruptcy) is deemed to have occurred as of the date of the bankruptcy order. The court issuing the bankruptcy order may determine, based on serious and objective indications, that the cessation of payments occurred on an earlier date. Such earlier date may not be earlier than six months before the date of the bankruptcy order, except in the case where the bankruptcy order relates to a company that was dissolved more than six months before the date of the bankruptcy order in circumstances suggesting an intent to defraud its creditors, in which case the date of cessation of payments may be determined as being the date of such decision to dissolve the company. The period from the date of cessation of payments up to the declaration of bankruptcy is referred to as the "hardening period" (*verdachte periode/période suspecte*).

The transactions entered into or performed during the hardening period which may be declared ineffective against third parties include, among others, (i) gratuitous transactions entered into at an undervalue or on extremely beneficial terms for the counterparty, (ii) payments for debts which are not due (iii) payments other than in cash for debts due, and (iv) security provided for pre-existing debts.

The Belgian bankruptcy receiver may request the court to declare payments of a Belgian Guarantor during the hardening period for debts due ineffective against third parties, provided that it can be proven that the creditor concerned was aware of the cessation of payment of the company. If the guarantee or security interests granted by a Belgian Guarantor were successfully held ineffective (based on the above), noteholders would cease to have any claim in respect thereof and would be under an obligation to repay any amounts received pursuant to such guarantee or the realization of the security. Finally, regardless of any declaration by the commercial court of a hardening period, transactions for which it can be demonstrated that they have been entered into with fraudulent prejudice to a third creditor, may be declared ineffective against third parties.

Recognition and Enforcement

The granting of security interests over movable or immovable, tangible or intangible, assets may be subject to validity and/or enforceability conditions. The breach of any of such conditions may render such security interests invalid or unenforceable. The foreclosure of security interests may be subject to formalities (e.g. judicial or non-judicial consent) and may be time consuming in the event that the foreclosure takes place under judicial control or in the event of a legal dispute. Courts may condition the enforcement of a security interest and/or guarantee upon the evidence that the creditor has a final and undisputed claim triggering the foreclosure of the security interest and/or guarantee. Enforcement of security interests and/or guarantees may be hindered by conflict of law and/or conflict of jurisdiction issues and may not breach any public policy provision and/or mandatory legal provisions. Courts may require a sworn translation in French or Dutch of the English documents which they may review.

Germany

Insolvency

In the event of insolvency of a Guarantor or provider of collateral organized under the laws of Germany and/or having its center of main interests in Germany at the time the application for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) is filed, German insolvency law would most likely govern such proceedings (subject to the information presented in "—European Union"). The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may not be as favorable to creditors as the insolvency laws of other jurisdictions, including, *inter alia*, in respect of priority of creditors' claims, the ability to obtain post-petition interest as well as security interests and the duration of the insolvency proceedings, and hence may limit the ability of creditors to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Germany.

German Insolvency Proceedings

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 also no pooling of claims among the respective entities of a group.

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that the debtor and/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 of or illiquidity (*Zahlungsunfähigkeit*) of the debtor, meaning that the debtor is unable to pay its debts as and when they fall due. According to the relevant provision of the German Insolvency Code (*Insolvenzordnung*), a debtor is not considered over-indebted when its liabilities exceed the value of its assets (based on their liquidation values) if, given the circumstances, it is more likely than not (*überwiegend wahrscheinlich*) that the debtor's business can survive as a going concern.

If a limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*), a limited liability partnership (*Kommanditgesellschaft*) with a GmbH as its sole general partner (*Komplementär*) ("GmbH & Co. KG") or any company not having an individual as personally liable shareholder gets into a situation of illiquidity and/or over-indebtedness, the management of such company and, under certain circumstances, its shareholders are obligated to file for the opening of insolvency proceedings without undue delay, however, at the latest within 3 weeks after the mandatory insolvency reason, *i.e.*, illiquidity and/or over-indebtedness, occurred. Non-compliance with these obligations exposes management to both severe damage claims as well as sanctions under criminal law.

In addition, imminent illiquidity (*drohende Zahlungsunfähigkeit*) is a valid insolvency reason under German law which exists if the company currently is able to service its payments obligations, but will presumably not be able to continue to do so at some point in time within a certain prognosis period. However, only the debtor, but not the creditors, is entitled (but not obligated) to file for the opening of insolvency proceedings in the event of an imminent illiquidity.

The insolvency proceedings are administered by the competent insolvency court which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary protective 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 as far as these protective measures are reasonable to protect the debtor's assets and/or to ensure the continuation of the debtor's business. In addition and as part of such protective measures, the court may also appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), unless the debtor has petitioned for debtor-in-possession proceedings (*Eigenverwaltung*)—an insolvency process in which the debtor's management generally remains in charge of administering the debtor's business affairs under the supervision of a preliminary trustee (*vorläufiger Sachwalter*)—with this petition not being obviously futile. The rights and duties of the preliminary administrator depend on the decision of the court. The duties of the preliminary administrator may be, in particular, to safeguard and to preserve the debtor's property (which includes the continuation of the business carried out by the debtor), to verify the existence of an insolvency reason and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. Depending on the decision of the court, even the right to manage and dispose of the business and assets of the debtor may pass to the preliminary insolvency administrator. During preliminary proceedings a "preliminary creditors' committee" (*vorläufiger Gläubigerausschuss*) can be set up if the debtor satisfies two of the following three requirements: (i) a balance sheet total in excess of €4,840,000 (after deducting an equity shortfall if the debtor is over-indebted), (ii) revenues of at least €9,680,000 in the twelve-month period prior to the last balance sheet date and/or (iii) 50 or more employees. The preliminary creditors' committee will be able to participate in certain important insolvency court decisions. It will have, for example, the power to influence the following: the selection of a preliminary insolvency administrator or an insolvency administrator (*vorläufiger Insolvenzverwalter* and *Insolvenzverwalter*), orders for "debtor in possession" proceedings (*Anordnung der Eigenverwaltung*), and appointments of preliminary trustees (*vorläufiger Sachwalter*). In case the members of the preliminary creditors' committee unanimously agree on an individual, such suggestion is binding on the court (unless the suggested individual is not eligible; *i.e.*, incompetent and/or not disinterested). To ensure that the preliminary creditors' committee reflects the interests of all creditor constituencies, it shall comprise a representative of the secured creditors, one for the large and one for the small creditors as well as one for the employees.

The court orders the opening (*Eröffnungsbeschluss*) of formal insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular (i) the debtor is in a situation of impending illiquidity (if the petition has been filed by the debtor) or illiquidity and/or over-indebtedness and (ii) if there are sufficient assets (*Insolvenzmasse*) to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties, for instance 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*).

Upon the opening of formal insolvency proceedings, the right to manage and dispose of the business and assets of the debtor passes to the insolvency administrator (*Insolvenzverwalter*) (usually the same person who acted as preliminary insolvency administrator), who is appointed by the insolvency court, unless a debtor-in-possession (*Eigenverwaltung*) is ordered. In addition, the insolvency administrator 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 (*Masseschulden*) will be preferred to any insolvency liabilities created by the debtor prior to the opening of insolvency proceedings (including such portion of an *in rem* secured creditor's claim which exceeds the amount obtained through a disposal of the relevant collateral).

Under German insolvency law, termination rights, automatic termination events or "escape clauses" entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract unless they reflect termination rights applicable under statutory law. This may also relate to agreements that are not governed by German law.

For the holders of the Notes, the most important consequences of the opening of German insolvency proceedings against the relevant Issuer, Guarantors or any subsidiary subject to the German insolvency regime would be the following:

- the right to administer and dispose of the relevant Issuer's, Guarantor's or such subsidiary's assets would generally pass to the (preliminary) insolvency administrator ((*vorläufiger) Insolvenzverwalter*) as sole representative of the insolvency estate;
- if the court does not order debtor-in-possession proceedings (*Eigenverwaltung*), disposals effected by the relevant Issuer's, Guarantor's or such subsidiary's management after the opening of insolvency proceedings are null and void by operation of law;
- if, during the final month preceding the date of filing for insolvency proceedings, a creditor in the insolvency proceedings acquires through execution (*i.e.*, attachment) a security interest in part of the debtor's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of the insolvency proceedings;
- claims against the relevant Issuer, Guarantor or such subsidiary may generally 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.

All creditors, whether secured or unsecured (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*)), who wish 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 individual enforcement action brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened (and, if so ordered by a court, also between the time when an insolvency petition is filed and the time when insolvency proceedings commence). If, during the final month preceding the date of filing for insolvency proceedings, a creditor acquires through execution (*i.e.*, attachment) a security interest in part of the debtor's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon opening of the insolvency proceedings. Accordingly, unsecured creditors may file their claims in the insolvency proceedings and will be paid on a *pro rata* basis from the insolvency estate (to the extent sufficient assets are available). Secured creditors are generally not entitled to enforce their security interests after an insolvency petition has been filed to the extent the German Insolvency Code (*Insolvenzordnung*) authorizes the insolvency administrator to dispose of the relevant collateral (though, between the time when an insolvency petition is filed and the time when insolvency proceedings commence, such stay on enforcement requires a court order) outside of the insolvency proceedings. The insolvency administrator generally has the sole right to enforce security, *i.e.*, realize any moveable assets in his/the debtor's possession which are subject to preferential rights (for example, 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*). Whether or not a secured creditor remains entitled, after the initiation of insolvency proceedings, to enforce security granted to it by the relevant debtor depends on the type of security. However, even if the law vests the right of disposal regarding the relevant collateral in the insolvency administrator, the secured creditor retains the right of preferred satisfaction with regard to the disposal proceeds (*Absonderungsrecht*). Consequently, the enforcement proceeds minus 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 VAT (if any) and are disbursed to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. The amounts related to remaining unencumbered assets of the debtor ("excess proceeds") will be allocated to the insolvency estate and would, after deduction of the costs of the insolvency proceedings (for example, fees for and expenses of the insolvency administrator and the insolvency court as well as the members of the creditors' committee), after satisfaction of certain preferential liabilities be distributed among the non-preferential unsecured creditors, including, to the extent their claims exceed the enforcement proceeds of the security interests, the holders of the Notes. If the relevant Guarantor or a subsidiary subject to German insolvency proceedings grant security over that Guarantor or subsidiary or its assets to creditors other than the holders of the Notes, such security may result in a preferred treatment of creditors secured by such security (however, the preferential treatment would be limited to the proceeds obtained through the disposal of the relevant collateral). The excess proceeds resulting from such collateral and after satisfaction of the secured creditors may not be sufficient to satisfy the claims of the holders of the Notes. In addition, it may take several years before an insolvency dividend, if any, is distributed to 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.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a moveable asset that is subject to this right. The insolvency administrator, however, must compensate the creditor for any loss of value resulting from such use.

An alternative distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and requires, in principle, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

Realizing the value of the insolvency estate for distribution of the proceeds among the creditors is commonly achieved by disposing of the debtor's assets, or, as the case may be, by disposing of the debtor's business as a going concern. Through an insolvency plan, it is also possible to implement a debt-to-equity-swap. However, it will not be possible to force a creditor into a debt-to-equity conversion if it does not consent to such debt to equity swap. Conversely, a debtor may not be forced into a debt to equity conversion if it has itself filed for the opening of insolvency proceedings due to over-indebtedness or imminent illiquidity and if it filed for preliminary "debtor in possession" proceedings (*Schutzschirmverfahren*). In such a case and upon request of the debtor, the court will prohibit enforcement measures (other than those with respect to immoveable assets) and may implement other preliminary measures to protect the debtor from creditor enforcement actions for up to three months if an independent expert testifies that the restructuring of the debtor's business is not obviously futile (*offensichtlich aussichtslos*) and that the debtor is not already illiquid. During such period, the debtor shall, together with its creditors and a preliminary trustee (*vorläufiger Sachwalter*), prepare an insolvency plan which ideally will be implemented in formal "debtor in possession" proceedings (*Eigenverwaltung*) after formal insolvency proceedings have been opened.

Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrator opts for performance.

Hardening Periods and Fraudulent Transfer

Under the German Insolvency Code (*Insolvenzordnung*), an insolvency administrator may also challenge transactions which are deemed detrimental to insolvency creditors and which were effected prior to the commencement of insolvency proceedings. The administrator's right to challenge transactions can, depending on the circumstances, extend to transactions during the ten-year period prior to the commencement of insolvency proceedings.

In the event of insolvency proceedings with respect to the relevant Guarantor or security provider, which would be based on and governed by the insolvency laws of Germany, the payment of any amount to the holders of the Notes, guarantee provided by the respective Guarantor or the Collateral provided by the respective entity for the benefit of the holders of the Notes could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) under the rules of avoidance as set out in the German Insolvency Code (*Insolvenzordnung*) which, depending on the circumstances and as mentioned above, extend to transactions during the ten-year period prior to the filing of the petition for commencement of insolvency proceedings. In the event such a transaction is successfully avoided (*angefochten*), the holders of the Notes would be under an obligation to repay the amounts received to the insolvency estate or to waive the respective Guarantee or security interest and you would have a general unsecured claim solely under the Notes without preference.

In particular, an act (*Rechtshandlung*) or a legal transaction (*Rechtsgeschäft*) (which term includes the provision of security including a granting of a guarantee or the repayment of debt) may be voided in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction for a debt (*Befriedigung*) if such act was taken (i) during the last three months prior to the filing of the petition for the opening of insolvency proceedings, provided that the debtor was illiquid (*zahlungsunfähig*, *i.e.*, unable to pay its debt when due) at the time when 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 (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances imperatively suggesting such illiquidity or filing);
- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction to which such creditor was not entitled or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction, if (i) such act was taken during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing; (ii) 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 (iii) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that imperatively suggest such detrimental effect);

- any legal transaction by the debtor that is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, provided it was entered into (i) during the three months prior to the filing of the petition of the opening of insolvency proceedings and the debtor was illiquid at the time of such legal transaction and the counterparty to such legal transaction knew of the illiquidity at such time, or (ii) after the filing of the petition for the opining of insolvency proceedings and the counterparty to such legal transaction knew of either the debtor's illiquidity or such filing at the time of the legal transaction;
- any act by the debtor without (adequate) consideration (for example, 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 with the intent to prejudice the insolvency creditors and the other party knew of such intention at the time of such act;
- any non-gratuitous contract concluded between the debtor and a related party which directly operates to the detriment of the insolvency creditors, 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 prejudice its creditors as of the time the contract was concluded;
- any act that provides security or satisfaction for a claim for repayment of a shareholder loan (*Gesellschafterdarlehen*) made to the debtor or an (economically) equivalent claim if (i) in the case of the provision of security, the act took place during the ten years prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition; or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition; and
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the legal transaction was effected in the last year prior to the filing of a petition for commencement of insolvency proceedings or thereafter, and (ii) a shareholder of the debtor had granted security or was liable as a guarantor or surety (*Garant* or *Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor (for example, the relevant Issuer or Guarantor) was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if it knew of the debtor's imminent illiquidity and that the transaction prejudiced the debtor's creditors. With respect to a "related party," there is a general statutory presumption that such party had "knowledge."

The term "related party" includes, subject to certain limitations, in the case of debtors that are corporate persons, members of the management or supervisory board, shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and persons that are spouses, relatives or members of the household of any of the foregoing persons.

Furthermore, even in the absence of an insolvency proceeding, a third party creditor who has obtained an enforcement order but has failed to obtain satisfaction of its enforceable claims by a levy of execution, under certain circumstances, has the right to void certain transactions, such as the payment of debt and the granting of security pursuant to the German Code on Avoidance (*Anfechtungsgesetz*). The conditions for avoidance under the German Code on Avoidance differ to a certain extent from the above described rules under the German Insolvency Code and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

In addition, under German law, a creditor who provided additional, or extended existing funding to a debtor or obtained security from a debtor may be liable in tort if such creditor was aware of the debtor's (impending) insolvency or of circumstances indicating such debtor's (impending) insolvency at the time such funding was provided or extended or such security was granted. The German Federal Supreme Court (*Bundesgerichtshof*) held that this could be the case if, for example, the creditor was to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the debtor as the grantor of the guarantee or security was close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

Limitation on Enforceability of the Notes and the Guarantees

Certain of the original Guarantors are incorporated in the form of a German limited liability company (*Gesellschaft mit beschränkter Haftung,* "GmbH") and further acceding Guarantors might be incorporated as GmbH & Co. KG. Consequently, the grant of collateral by them is subject to certain provisions of the German Limited Liability Company Act (*Gesetz betreffend die Gesellschaft mit beschränkter Haftung,* "GmbHG").

As a general rule, sections 30 and 31 of the GmbHG ("Sections 30 and 31") prohibit a GmbH and a GmbH & Co. KG from disbursing its (or, in case of a GmbH & Co. KG, its general partner's) assets to its shareholders to the extent that the amount of the GmbH's (or, in case of a GmbH & Co. KG, its general partner's) net assets (*i.e.*, assets minus liabilities and liability reserves) is already less or would fall below the amount of its stated share capital (*Stammkapital*). The granting of guarantees, share pledges and other security by a GmbH or GmbH & Co. KG in order to secure liabilities of a direct or indirect parent or sister company may be considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to grant guarantees and to create security interests to secure liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries in the legal form of a GmbH or a GmbH & Co. KG incorporated or established in Germany. Pursuant to such limitation language, the beneficiaries of the security interests (including any guarantee) agree, subject to certain exemptions, to require payments under the guarantee or, as the case may be, enforce the security interests against the German subsidiary only if and to the extent that such payment or, as the case may be, enforcement does not result in the GmbH's (or, in case of a GmbH & Co. KG, its general partner's) net assets falling below its stated share capital or, as the case may be, if the net assets are already below the amount of its stated share capital, to cause such amount to be further reduced. Accordingly, the Indentures, security documents and other relevant documents relating to the Guarantees and the Collateral provided by the Guarantors or other German security providers will contain such limitation language and the relevant Guarantees and Collateral will be limited in the manner described. These limitations would, to the extent applicable, restrict the right of payment and would limit the claim accordingly irrespective of the granting of the subsidiary guarantee. This could lead to a situation in which the respective Guarantee by a German subsidiary guarantor cannot be enforced at all. German capital maintenance rules are subject to evolving case law (*Rechtsprechung*). Future court rulings may further limit the access of shareholders to assets of their subsidiaries constituted in the form of a GmbH or a GmbH & Co. KG, which can negatively affect the ability of the subsidiaries to make payments on the Guarantees, of the secured parties to enforce the Collateral or of the beneficiaries of the Guarantees to enforce the Guarantees.

Furthermore, 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 a German limited liability 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 or security granted by a German (direct or indirect) subsidiary of an Issuer. In such a case, the amount of proceeds to be realized in an enforcement process may be reduced, even to zero.

In addition, enforcement of the Guarantees and security interests granted by subsidiaries of any Issuer may be limited under its respective terms to the extent that it would lead to the illiquidity (*Zahlungsunfähigkeit*) of the Issuer granting such Guarantee or security interest.

Parallel Debt

Under German law, certain "accessory" security interests such as pledges (*Pfandrechte*) require that the pledgee and the creditor of the secured claim be the same person. Such security interests cannot be held on behalf of third parties by persons who do not hold the secured claim. The holders of the Notes will not be party to the security documents relating to the Collateral. In order to permit the holders of the Notes to benefit from security under "accessory" Collateral, the Intercreditor Agreement will provide for the creation of a "parallel debt" in favor of the Security Agent. Pursuant to the parallel debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under, in particular, the Notes and the Guarantees. The parallel debt is in the same amount and payable at the same time as the obligations of the Senior Secured Notes Issuer, the Senior Notes Issuer and the Guarantors under the Notes and the Notes Guarantees (the "Principal Obligations"), and any payment in respect of the Principal Obligations will discharge the corresponding parallel debt and any payment in respect of the parallel debt will discharge the corresponding Principal Obligations. The pledges governed by German law will directly secure the parallel debt only. While the relevant provisions of the Intercreditor Agreement express that the Security Agent will have, pursuant to the parallel debt, a claim against the Senior Secured Notes Issuer, the Senior Notes Issuer and the Guarantors for the full principal amount of the Notes, the parallel debt construct has not been tested in court under German law, and there is no certainty that it will eliminate or mitigate the risk of invalidity or unenforceability of the pledges governed by German law.

Hungary

Certain Guarantors are incorporated under the laws of Hungary. In the event of insolvency of a Hungarian company or a provider of security interests having its center of main interests in Hungary (each a "Hungarian Security Provider"), any insolvency proceedings relating to the Hungarian Security Provider would likely be based on Hungarian insolvency law. Insolvency proceedings are regulated by Act XLIX of 1991 on bankruptcy and liquidation proceedings (as amended) (the "Bankruptcy Act"). In Hungary, the following insolvency proceedings are available as main proceedings:

- bankruptcy proceedings (*csődeljárás*); and
- liquidation proceedings (*felszámolási eljárás*).

Bankruptcy Proceedings in General

Bankruptcy is a voluntary procedure which may only be initiated by the debtor company (with the approval of its shareholders) by applying to the court for a moratorium over its payment obligations in order to reach a composition (*csődegyezség*) with its creditors and to continue as a going concern. The composition is mandatory to all creditors. If a composition is reached during the bankruptcy proceedings, the liabilities of the debtor may, in theory, be discharged as provided for in the composition. During the automatic temporary moratorium and if the court orders a moratorium, the debtor is not obliged to repay its debts and the legal consequences of any non-payment or late payment by the debtor do not apply (subject to certain exceptions). Any application for the liquidation of the debtor submitted to the court simultaneously with, or following, any submission of an application to the court for bankruptcy must be stayed until the final closure (termination) of the bankruptcy proceedings. If the bankruptcy proceedings are successful, the debtor will continue as a going concern.

Bankruptcy proceedings can be initiated by the executive officer(s) of a debtor by filing an application to the court for the commencement of bankruptcy proceedings. The commencement date of the bankruptcy proceedings is when the court publishes its decision to order the bankruptcy proceedings in the Companies Gazette (*Cégközlöny*). The debtor is not required to prove that it is insolvent or over-indebted.

The court will automatically grant a temporary moratorium from the business day immediately following the date on which the application for bankruptcy proceedings was filed with the court. This order will be published in the Companies Gazette on the business day immediately following the date of filing for bankruptcy. The temporary moratorium will be effective from the date of this publication. The purpose of the temporary moratorium is to provide immediate but temporary bankruptcy protection to the debtor until the court issues an order granting or denying a payment moratorium to the debtor (the “bankruptcy order”). The court will examine the debtor’s/creditor’s filing for bankruptcy within five business days and may demand any missing documentation to be filed within an additional five business days. The bankruptcy order will be published in the Companies Gazette on the next business day and the date of publication will mark the commencement of bankruptcy proceedings and the first day of the 120 calendar day moratorium. The purpose of the moratorium is to preserve the bankruptcy estate in the interest of reaching a composition with the creditors. No additional creditors’ consent is required for granting the moratorium. The duration of the moratorium can be extended to (i) 240 calendar days from the commencement of the bankruptcy proceedings (i.e. the date of publication of the bankruptcy order) with the consent of the majority of the secured and unsecured creditors entitled to vote (voting separately in each creditor class); or (ii) 365 calendar days from the commencement of the bankruptcy proceedings (i.e. the date of publication of the bankruptcy order) with the consent of more than two thirds of the creditors entitled to vote and holding (both in the secured and non-secured classes separately) at least 66 per cent. of all claims against the debtor.

Liquidation Proceedings in General

The main purpose of liquidation proceedings is to satisfy the creditors’ claims, in the manner set out in the Bankruptcy Act. If the court orders the liquidation of the debtor, it will also appoint a liquidator (*felszámoló*) who will, under the court’s supervision, take over the management of the debtor, sell its assets with a view to best recovery and distribute the proceeds among the creditors. In liquidation proceedings, no formal discharge of debts occurs when the proceedings are closed. However, as the proceedings are designed to liquidate the debtor company and, after distribution of all the assets the corporate existence of the debtor will be terminated, normally there would not be a debtor against which claims could be enforced.

Any creditor, the debtor itself, and a trustee in voluntary winding-up proceedings, may apply to the court for an order for the liquidation of an insolvent debtor (legal representation is mandatory) and, if the bankruptcy proceedings were unsuccessful, the liquidation proceedings will commence ex officio. There is no obligation on the debtor to initiate liquidation proceedings, even where it is insolvent or over-indebted. Following the receipt of the application for liquidation, the court has 90 days to decide upon the application. The commencement date of liquidation is the date of publication of the liquidation order by the court.

Management of the Debtor in Bankruptcy Proceedings

In the order establishing the moratorium, the court will appoint an asset supervisor i.e. a bankruptcy administrator. The directors of the debtor may exercise their powers subject to the statutory powers of the asset supervisor. Accordingly, the debtor remains in possession of its assets. The asset supervisor oversees the business activities of the debtor in order to protect the creditors’ interests. In discharging his duties, the asset supervisor:

- reviews the financial situation of the debtor;
- may enter any of the debtor’s premises and search for any of the debtor’s assets;
- may require that the debtor provides all necessary information regarding its assets;
- approves the financial commitments of the debtor arising after the commencement date of the bankruptcy proceedings (if such commitments exceed the value set by the creditors who consented to the moratorium);
- will require the debtor to enforce its claims and controls the enforcement steps; and
- may challenge before the court any voidable transaction, as discussed below.

The debtor can only incur new debt and settle existing outstanding debt with the approval of the asset supervisor.

Liquidator in Liquidation Proceedings

In the order commencing the liquidation, the court appoints a liquidator. Following the commencement date of liquidation, the liquidator will be the sole representative of the debtor and will act on behalf of the debtor during the proceedings. The liquidator may make any legal statement in relation to the assets of the debtor. The liquidator takes over the management of the debtor's business, collects its receivables, enforces its claims and sells its assets.

The Effects of a Moratorium in Bankruptcy Proceedings

The effects of a moratorium include the following:

- a creditor cannot, in general, set off its claims against the debtor;
- no direct collection order can be enforced against the debtor or the debtor's bank accounts;
- cash claims cannot be enforced against the debtor;
- claims cannot be satisfied from, and creditors cannot enforce, a pledge or security deposit (except for certain collateral arrangements between banks and other regulated entities);
- subject to limited exceptions, the debtor cannot satisfy claims for payments existing at the time of the commencement of bankruptcy proceedings and creditors may not enforce such claims;
- creditors cannot terminate agreements with the debtor on the grounds of payment default during the moratorium;
- the debtor may undertake new commitments, but only with the consent of the asset supervisor;
- payments outside the ordinary course of business may be made from the debtor's assets only with the consent of the asset supervisor; and
- a contract concluded with the debtor may not be avoided and may not be terminated on the grounds of the debtor's failure to settle its debt during the moratorium.

The absence of legal consequences for non-payment or payment default during the moratorium is subject to certain exceptions. For example, the debtor must pay wages and tax and social security contributions due during the moratorium. In addition, legal proceedings, other than court enforcement proceedings, are not stayed during bankruptcy proceedings.

The Effects of the Commencement of Liquidation Proceedings

The commencement of liquidation may affect the enforcement of security arrangements as set out below:

- The enforcement of security interests is stayed, and security interests may only be enforced in the liquidation proceedings, subject to the procedural rules (e.g. notification requirements) and other limitations (e.g. ranking of claims) set out in the Bankruptcy Act.
- Any pledge, fixed or floating charge or pledge over rights and claims over the debtor's assets automatically ceases upon the sale of the collateral by the liquidator or, in the absence of any sale of the collateral, when the court order approving the distribution of assets between the creditors at the end of the liquidation becomes final and binding.
- Any prohibition on transfer and encumbrance in relation to any asset of the debtor (for example, as a result of a negative pledge clause) ceases upon the commencement of liquidation. This rule is to enable the liquidator to dispose freely of the debtor's assets.
- Following the commencement of liquidation, any claim for payment in relation to the debtor's estate may only be enforced in the liquidation proceedings. However, litigation and other court proceedings which started before the commencement of liquidation will continue before the original court.

Upon the commencement of liquidation, all claims against the debtor become immediately due and payable by operation of law. A liquidator may terminate outstanding (i.e. not yet performed or otherwise terminated) agreements with immediate effect or, if none of the parties have performed their obligations, rescind (i.e. terminate with retroactive effect) any agreement entered into by an insolvent debtor. The counterparty may claim damages for the losses arising from the termination or rescission by giving notice to the liquidator within 40 days following the receipt by the counterparty of the notice of the termination or rescission.

Ranking of Claims in Liquidation Proceedings

The order of payment of creditors is as follows:

1. the costs of liquidation;
2. claims secured, before the commencement of liquidation, by a floating charge, up to the value of the collateral less any amount paid in advance to the chargee;
3. alimony, life-annuity payments and compensation benefits;

4. other claims of private individuals not originating from business activities (with the exception of claims based on bonds and claims of small and micro businesses or farms);

5. overdue social security contributions, taxes and public debts collectable as taxes;

6. claims of other unsecured creditors;

7. default interest and default penalties irrespective of the date of and the legal grounds for such claims arising; and

8. claims owed to the majority shareholder(s), the directors, executive employees or their spouses or close relatives, or claims of companies under the majority control of the debtor and claims originating from agreements without consideration.

Creditors with claims secured by a pledge, charge or mortgage entered into prior to the commencement of the liquidation proceedings are entitled to 100 per cent of the sale price (less the costs of the preservation, maintenance and sale of the collateral and a fee charged by the liquidator to compensate for the liquidator's costs incurred in selling the relevant asset).

Claims secured prior to the commencement of the liquidation proceedings by a floating charge are, on the sale of the assets secured by the charge, entitled only to 50 per cent. of the sale price. These provisions will not apply if the secured claim is owed to directors, executive position employees of the debtor, to their spouses or close relatives or to companies controlled by the debtor. Additionally, these preferential distributions will not apply if the chargee is a member (shareholder) controlling the debtor and the secured claim of such member (shareholder) arose after the occurrence of the situation threatening the debtor with insolvency (i.e. when the member (shareholder) foresaw or could have reasonably foreseen that the company would not be able to pay its debts on their maturity).

Any proceeds from the enforcement of security claims notified after 40 calendar days but not later than 180 calendar days from date of publication of the commencement of liquidation proceedings shall be treated separately, and any such secured claims will be subordinated to all claims specified in relation to the order of payment of creditors set out above.

Avoidance of Transactions in Bankruptcy Proceedings

In bankruptcy proceedings, the possibilities of challenging transactions are more limited than in liquidation proceedings. The asset supervisor may challenge before the court any agreement or transaction entered into or made after the filing of the bankruptcy petition by the debtor without the prior approval of the asset supervisor.

Avoidance of Transactions in Liquidation Proceedings

Section 40 of the Bankruptcy Act provides for the circumstances in which certain transactions can be avoided. In liquidation proceedings, any creditor, or the liquidator on behalf of the debtor, may for 90 calendar days after becoming aware of the transaction, but no later than one year following the publication of a liquidation order, challenge before the court:

- any agreement or transaction entered into or made, within the five years preceding the filing of the liquidation petition or at any time thereafter, by the debtor if the result of the agreement or transaction was a decrease in the debtor's assets and the debtor's intention was to defraud other creditors and the other party to the agreement or transaction knew or should have known of this;

- any agreement or transaction entered into or made, within the two years preceding the filing of the liquidation petition or at any time thereafter, by the debtor if the subject of the agreement or transaction was the sale of part or all of the assets of the debtor or a commitment at the expense of such assets without any consideration, or any transaction with a third party where the consideration paid to the debtor was at a gross undervalue. In practice, an undervalue is considered to be "gross" if there is a minimum of approximately 30 to 40 per cent. difference in the market value between the act or services provided by the debtor and the consideration received by the debtor; or

- any agreement or transaction entered into or made, within the 90 calendar days preceding the filing of the liquidation petition or at any time thereafter, by the debtor if the subject of the agreement or transaction was to prefer a creditor, including, in particular, the amendment of a pre-existing contract in favor of the creditor or the provision of security in favor of an unsecured creditor.

In addition, the liquidator, on behalf of the debtor, may, for 90 calendar days following becoming aware, but in no event later than one year following the publication of a liquidation order, reclaim before the court:

- any act or service (including transfers) provided, within the 60 calendar days preceding the filing of the liquidation petition or at any time thereafter, by the debtor if the result of the act or services provided by the debtor was to prefer a creditor and it was not within the ordinary course of business. A preference includes, in particular, the settlement of a debt before its maturity.

An absence of consideration and bad faith will be presumed to be present, for the purposes of the above, where the debtor entered into an agreement with an entity which holds an equity interest in the debtor or is controlled by the debtor or one of its members or officers or a relative of such member or officer. Bad faith and a lack of consideration will also be presumed if the debtor entered into an agreement with an entity controlled or influenced by the same person who controls or influences the debtor.

Luxembourg

The insolvency laws of Luxembourg may not be as favorable to holders of Notes as insolvency laws of other jurisdictions with which investors may be familiar. The Issuers and Galapagos BidCo (together, the "Luxembourg Obligors," and each a "Luxembourg Obligor") are incorporated and have their center of main interests (*centre des intérêts principaux*), for the purposes of the EU Insolvency Regulation, and their registered office and central administration (*administration centrale*) in Luxembourg. Accordingly, insolvency proceedings affecting the Luxembourg Obligors would be governed by Luxembourg insolvency laws. The following is a brief description of the key features of Luxembourg insolvency proceedings and certain aspects of insolvency laws in Luxembourg.

Luxembourg Insolvency Proceedings

Under Luxembourg insolvency laws, the following types of proceedings (together referred to as Insolvency Proceedings) may be opened against a Luxembourg Obligor to the extent that the relevant Luxembourg Obligor has its registered office or its center of main interests (*centre des intérêts principaux*) (for the purposes of the EU Insolvency Regulation) in Luxembourg:

- bankruptcy proceedings (*faillite*);
- controlled management proceedings (*gestion contrôlée*); and
- composition proceedings (*concordat préventif de la faillite*).

In addition to these proceedings, the ability of the holders of Notes to receive payment under the Notes may be affected by a decision of the Commercial District Court (*Tribunal d'arrondissement siégeant en matière commerciale*) (the "Commercial District Court") granting suspension of payments (*sursis de paiements*) or putting the relevant Luxembourg Obligor into judicial liquidation (*liquidation judiciaire*).

Bankruptcy (faillite)

General administration of bankruptcy proceedings

The opening of bankruptcy proceedings may be requested by the relevant Luxembourg Obligor or by any of its creditors. Following such a request, the Commercial District Court having jurisdiction may open bankruptcy proceedings in the event that the relevant Luxembourg Obligor (a) has ceased to make payments (*cessation de paiements*) and (b) has lost its commercial creditworthiness (*ébranlement de crédit*). If the Commercial District Court considers that these conditions are met, it may open bankruptcy proceedings on its own motion, absent a request made by the relevant Luxembourg Obligor or a creditor.

If the Commercial District Court declares a company bankrupt, it will appoint one or more bankruptcy receivers (*curateur(s)*), depending on the complexity of the proceedings and a supervisory judge (*juge-commissaire*) to supervise the bankruptcy proceedings.

The period within which creditors must file their proof of claims (*déclaration de créance*) is specified in the judgment adjudicating the company bankrupt. Claims filed after such period may nevertheless be taken into account by the bankruptcy receiver subject to certain limitations as to distributable proceeds.

The bankruptcy receiver takes over the management and control of the company in place of the directors or the managers. The bankruptcy receiver will realize the company's assets and distribute the proceeds to the company's creditors in accordance with the statutory order of payment and, if there are any funds left, to the bankrupt company's shareholders. The bankruptcy receiver represents the company as well as the creditors collectively (*masse des créanciers*).

The bankruptcy receiver will need to obtain of the Commercial District Court permission for certain acts, such as agreeing to a settlement of claims or deciding to pursue the business of the company during the bankruptcy proceedings.

Bankruptcy is governed by public policy and rules, which generally delay the process and limit restructuring options of the group to which the bankrupt company belongs.

On closing of the bankruptcy proceedings, the bankrupt company will normally be dissolved.

Effects of Bankruptcy Proceedings

The main effect of bankruptcy proceedings is the suspension of all measures of enforcement against the relevant Luxembourg Obligor, except, subject to certain limited exceptions, for secured creditors, and the payment of creditors in accordance with their rank upon the realization of assets.

In principle, contracts of the bankrupt company are not automatically terminated on commencement of bankruptcy proceedings, save for contracts for which the identity or solvency of the company was crucial (*intuitu personae* agreements). However, certain contracts are terminated automatically by law, such as employment contracts, unless expressly confirmed by the receiver. Contractual provisions purporting to terminate a contract upon bankruptcy are generally held as being valid. The receiver may choose to terminate contracts of the company subject to the rule of "exceptio non adimpleti contractus" and the creditors' interest.

Unsecured claims will only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those debts of the relevant entity that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law include, among others:

- certain amounts owed to the Luxembourg Revenue;
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and
- remuneration owed to employees.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized). During insolvency proceedings, all enforcement measures by unsecured creditors are suspended.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the relevant Luxembourg Obligor during the pre-bankruptcy hardening period (*période suspecte*) which is a period of a maximum of six months preceding the judgment declaring bankruptcy, except that in certain specific situations the Commercial District Court may set the start of the suspect period at an earlier date. In particular:

- pursuant to article 445 of the Luxembourg code of commerce, some transactions (in particular, the granting of a security interest for antecedent debts, save in respect of financial collateral arrangements within the meaning of the Luxembourg law of 5 August 2005 on collateral arrangements, as amended (the "Luxembourg Collateral Act"); the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange (unless, arguably, that method of payment was agreed from inception); transactions without consideration or with substantially inadequate consideration entered into during the suspect period (or the ten days preceding it)) must be set aside, if so requested by the bankruptcy receiver;
- pursuant to article 446 of the Luxembourg code of commerce, payments made for matured debts as well as other transactions concluded for consideration during the suspect period are subject to setting aside by the Commercial District Court upon proceedings initiated by the bankruptcy receiver, if they were concluded with the knowledge of the bankrupt's cessation of payments; and
- pursuant to article 448 of the Luxembourg code of commerce and article 1167 of the Luxembourg civil code (*action paulienne*), the bankruptcy receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

The Luxembourg Collateral Act provides that with the exception of the provisions of the Luxembourg law of December 8, 2000 on over-indebtedness *(surendettement)* (which only apply to natural persons), the provisions of Book III, Title XVII of the Luxembourg Civil Code, the provisions of Book 1, Title VIII of the Luxembourg Commercial Code, the provisions of Book III of the Luxembourg Commercial Code and the national or foreign provisions governing reorganization measures, winding-up proceedings or other similar proceedings and attachments are not applicable to financial collateral arrangements (such as Luxembourg pledges over shares or receivables) and shall not constitute an obstacle to the enforcement and to the performance by the parties of their obligations. Certain preferred creditors of the relevant Luxembourg Obligor (including the Luxembourg tax, social security and other authorities) may have a privilege that ranks senior to the rights of the secured or unsecured creditors.

According to the Luxembourg Collateral Act, foreign law security interests over claims or financial instruments granted by the Issuer will be valid and enforceable as a matter of Luxembourg law notwithstanding any Luxembourg Insolvency Proceedings, if such foreign law security interests are similar in nature to Luxembourg security interests falling within the scope of the Luxembourg Collateral Act. In such situation, Luxembourg hardening period rules are disapplied.

Controlled Management Proceedings (gestion contrôlée)

General administration of controlled management proceedings

A company, which has lost its commercial creditworthiness (*ébranlement de crédit*) or which is not in a position to completely fulfill its obligations, can apply for the regime of controlled management in order either (i) to restructure its business or (ii) to realize its assets in good conditions. An application for controlled management can only be made by the company.

The loss of commercial creditworthiness (*ébranlement de crédit*) is identical to the credit test applied in bankruptcy proceedings. As to the second criteria (that is, the case where a company is not in a position to completely fulfill its obligations), a broad view of the total situation of the company is taken. Controlled management proceedings are only available for good-faith debtor.

Controlled management proceedings are rarely used as they are not often successful and generally lead to bankruptcy proceedings. They are occasionally applied to companies, in particular holding or finance companies, which are part of an international group and whose inability to meet obligations results from a default of group companies.

The proceedings are divided into three steps:

1. The company must file an application with the Commercial District Court. The Commercial District Court can reject the application because (i) the company has already been declared bankrupt or (ii) the evidence brought forward by the company does not ensure the stabilization and the normal exercise of the company's business or improve the realization of the company's assets in better conditions. If the application is upheld at this stage, the Commercial District Court will appoint an investigating judge (*juge délégué*) to make a report on the overall situation of the company.
2. Once the investigating judge has delivered a report, the Commercial District Court may (i) turn down the application on the ground that the proposals made by the applicant are unlikely to lead to the reorganization of the business or the realization of the assets in better conditions or (ii) appoint one or more administrators (*commissaires*) who will supervise the management of the assets of the company. If the Commercial District Court ascertains that the company is unable to pay its creditors (*i.e.* the company has ceased its paiements (*cessation de paiements*)), it may set the date as from which the company will be deemed to have been in such situation. Such date may be set up to six months prior to the filing of application for controlled management proceedings. However, bankruptcy may only be declared if the two conditions for bankruptcy are met (cessation of payment (*cessation de paiements*) and loss of commercial creditworthiness (*ébranlement de crédit*)), and if the application has been dismissed either before or after consideration of the report by the investigating judge or after the reorganization plan proposed by the administrators (*commissaires*) at the third step described below. The administrators will draw up the inventory of the assets as well as the financial situation of the company. They are also in charge of the annual accounts of the company. The administrators may also prescribe any act they consider to be in the interests of the applicant or its creditors. The administrators have to be convened to any meeting of the board of directors or of managers. They may attend all board meetings but have no voting rights. They have the right to convene such board meetings.
3. The administrators will draft a reorganization plan in respect of the applicant's business or a plan for realization of the assets, within the deadlines set forth by the Commercial District Court. The plan shall equitably take into account all interests involved and will comply with the ranking of mortgages (*hypothèques*) and privileges (*privilèges*) as required by law, without taking into account any contractual clause regarding termination, penalties or acceleration. The administrators will notify the draft plan to the creditors, joint debtors and guarantors. Within fifteen days of such notification or publication, the creditors will inform the Commercial District Court whether they agree or object to the draft plan. Any creditor who abstains will be considered as having adhered to the plan. The creditors, the company, the joint debtors and the guarantors may submit written observations to the Commercial District Court. The Commercial District Court may (i) approve the plan if a majority of the creditors representing, via their claims which have not been challenged by the administrators, at least half of the company's liabilities have agreed thereto or (ii) disagree with the plan proposed by the administrators even though a majority of the creditors representing, via their claims which have not been challenged by the administrators, at least half of the company's liabilities have agreed to such plan, in which case the application for controlled management will be dismissed or (iii) ask the administrators to propose an amended plan (such amended plan will have to be submitted again to the creditors). The judgment approving the plan will be binding upon the company and its creditors, joint debtors and guarantors. The fees of the administrators will be fixed by the Commercial District Court and will be borne by the company. The administrators who at the same time are creditors of the applicant are not entitled to any fees.

Effects of Controlled Management Proceedings

As from the day of the appointment of the investigating judge and up to the final decision on the application for controlled management, any subsequent enforcement proceedings or acts, even if initiated by privileged creditors (including creditors who have the benefit of pledges (*gages*) and mortgages (*hypothèques*)) are stayed, save as provided for by the Collateral Act 2005. The company may not enter into any act of disposition, mortgage or contract or accept any movable asset without the authorization of the investigating judge.

Once the administrators have been appointed, the company may not carry out any act (including receiving funds, lending money, granting any security, or making any payment) without the prior authorization of the administrators. The administrators may bring any action before the Commercial District Court in order to have any act made in violation of the legislation governing the controlled management or in fraud of the creditors' rights be set aside. Subject to the prior authorization of the Commercial District Court, they may bring an action (i) to have the directors, managers or the statutory auditor be held liable or (ii) if the Commercial District Court has declared the company to be in cessation of payments, to have certain payments, compensations or security interests be set aside (under certain conditions set forth in Articles 445 et seq. of the Luxembourg code of commerce).

Preventive Composition Proceedings (concordat préventif de la faillite)

General administration of preventive composition proceedings

A company may enter into preventive composition proceedings (*concordat préventif de la faillite*) in order to resolve its financial difficulties by entering into an agreement with its creditors, the purpose of which is to avoid bankruptcy.

Preventive composition proceedings may only be applied for by a company which is in financial difficulty. Similar to controlled management proceedings, the preventive composition proceedings are not available if the company has already been declared bankrupt by the Commercial District Court or if the company is acting in bad faith. The application for the composition proceedings can only be made by the company and must be supported by proposals of composition.

The Commercial District Court will delegate to a delegated judge (*juge délégué*) the duty to verify, and to prepare a report on, the situation of the company. Based on such report, the Commercial District Court will decide whether or not to pursue the preventive composition proceedings. If the Commercial District Court considers that the procedure should not be pursued, it will in the same judgment declare the bankruptcy of the company (which bankruptcy may also be declared during the composition proceedings if the conditions for the composition proceedings are not met). If the Commercial District Court considers that the procedure may be pursued, it will set the place, date and hour of a meeting (*assemblée concordataire*) at which the creditors will be convened. The delegated judge will make its report at the assemblée concordataire.

The composition may only be adopted if a majority of the creditors representing, by their unchallenged claims, three-quarters of the company's debt, has adhered to the proposal and if the composition has been homologated by the Commercial District Court. Creditors benefiting from mortgages (*hypothèques*), privileges (*privilèges*) or pledges (*gages*) only have a deliberating voice in the operations of the concordat, if they renounce the benefit of their mortgages, privileges or pledges. The vote in favor of the concordat entails renunciation. The renunciation may be limited by the secured creditors to only a portion (but representing at least 50% in value) of their claims with corresponding voting rights.

The composition has no effect on the claims secured by a mortgage, a privilege or a pledge and on claims by the tax authorities. If the application results in a composition arrangement sanctioned by the Commercial District Court, the composition could still either be annulled (if it has not been executed) or terminated (in case of fraud or bad faith of the company). In such scenarios, the Commercial District Court may adjudicate bankrupt the company. The bankruptcy judgment can decide to set the date of cessation of payment to the date of the application for the preventive composition proceedings. If that date is less than six months prior to the bankruptcy judgment, the court can of course set the cessation of payment date at six months prior to its judgment.

Preventive composition proceedings are rarely used in practice since they are not binding upon secured creditors.

Effects of Composition Proceedings

The company's business activities continue during the preventive composition proceedings. While the composition is being negotiated, the company may not dispose of, or grant any security over, any assets without the approval of the delegated judge. Once the composition has been agreed by the Commercial District Court, this restriction is lifted. However, the company's business activities will still be supervised by the delegated judge.

Except as provided for in the Luxembourg Collateral Act, while the composition is being negotiated, unsecured creditors may not take action against the company to recover their claims. Secured creditors who do not participate in the composition proceedings may take action against the company to recover their claims and to enforce their security. Fraudulent transactions which took place before the date on which the Commercial District Court commenced preventive composition proceedings may be set aside (please see the bankruptcy proceedings section above).

Suspension of Payments Proceedings (sursis de paiements)

General administration of a suspension of payments proceedings

A suspension of payments (*sursis de paiements*) for commercial companies is different from the sursis de paiement proceedings available to banks and insurance companies. It can only be applied to a company which, as a result of extraordinary and unforeseeable events, has to temporarily cease its payments but which has on the basis of its balance sheet sufficient assets to pay all amounts due to its creditors. The suspension of payments may also be granted if the situation of the applicant, even though showing a loss, presents serious elements of reestablishment of the balance between its assets and its debts.

The purpose of the suspension of payments proceedings is to allow a business undertaking experiencing financial difficulties to suspend its payments for a limited time after a complex proceeding involving both the Commercial District Court and the Cour supérieure de justice and the approval by a majority of the creditors representing, by their claims, three-quarters of the company's debts (excluding claims secured by privilege (*privilège*), mortgage (*hypothèque*) or pledge (*gage*)).

The suspension of payments is, however, not for general application, which is one of the main reasons it has lost its attractiveness. It only applies to those liabilities which have been assumed by the debtor prior to obtaining the suspension of payment and has no effect as far as taxes and other public charges or secured claims (by right of privilege, a mortgage or a pledge) are concerned.

Effects of Suspension of Payments Proceedings

During the suspension of payments, ordinary creditors cannot open enforcement proceedings against the debtor or the debtor's assets. This stay on enforcement does not extend to preferred creditors, or to creditors which are secured by mortgages (*hypothèques*), pledges (*gages*) or financial collateral arrangements governed by the Luxembourg Collateral Act. The debtor continues to manage its own business under the supervision of a court-appointed administrator who must approve most of the transactions carried out by the debtor.

When a suspension of payments ends, the stay on enforcement is terminated and the debtor's directors can run the business again.

Judicial Liquidation

Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious violation of the Luxembourg commercial code or of the Luxembourg law dated August 10, 1915 on commercial companies, as amended (the "Luxembourg Companies Act").

The management of such judicial liquidation proceedings will generally follow similar rules as those applicable to bankruptcy proceedings.

Effects of opening of Luxembourg insolvency proceedings on security interests governed by the Luxembourg Collateral Act

The Luxembourg Collateral Act expressly provides that financial collateral arrangements (including pledges) including enforcement measures are valid and enforceable even if entered into during the pre-bankruptcy period, against third parties including supervisors, receivers, liquidators and any other similar persons or bodies irrespective of any bankruptcy, liquidation or other situation, national or foreign, of composition with creditors or reorganization affecting anyone of the parties.

Limitation on Enforcement of Security Interests

According to Luxembourg conflict of laws rules, the courts in Luxembourg will generally apply the lex rei sitae or lex situs (the law of the place where the assets or subject matter of the pledge or security interest is situated) in relation to the creation, perfection and enforcement of security interests over such assets.

As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, preferred equity certificates issued by Luxembourg companies, bank accounts held with a Luxembourg bank, receivables/claims governed by Luxembourg law and/or having debtors located in Luxembourg, tangible assets located in Luxembourg, securities which are held through an account located in Luxembourg, bearer securities physically located in Luxembourg, etc.

The Luxembourg Collateral Act governs the creation, validity, perfection and enforcement of pledges over shares, preferred equity certificates, bank accounts and receivables located or deemed to be located in Luxembourg. Under the Luxembourg Collateral Act, the perfection of security interests depends on certain registration, notification and acceptance requirements. A share pledge agreement must be (i) acknowledged and accepted by the company which has issued the shares (subject to the security interest) and (ii) registered in the shareholders' register of such company. If future shares are pledged, the perfection of such pledge will require additional registration in the shareholders' register of such company. The pledge under a preferred equity certificates pledge agreement in relation to preferred equity certificates in registered form must be accepted by or notified to the company which has issued the preferred equity certificates (subject to the pledge) and would typically be registered in the preferred equity certificates register of such company. If future preferred equity certificates are pledged, the pledge registration wording in the preferred equity certificates' register of such company may need to be updated. A pledge over receivables becomes enforceable against the debtor of the receivables and third parties from the moment when the agreement pursuant to which the pledge was created is entered into between the pledgor and the pledgee. However, if the debtor has not been notified of the pledge or if he did not otherwise acquire knowledge of the pledge, he will be validly discharged if he pays the pledgor. For ranking purposes, a bank account pledge agreement must be notified to and accepted by the account bank so as to ensure that the account bank has waived any pre-existing security interests and other rights in respect of the relevant account. If (future) bank accounts are pledged, such additional notification to, acceptance and waiver by the account bank will be required.

Article 11 of the Luxembourg Collateral Act sets out enforcement remedies available upon the occurrence of an enforcement event, including, but not limited:

- appropriation by the pledgee or appropriation by a third party of the pledged assets at (i) a value determined in accordance with a valuation method agreed upon by the parties or (ii) (if listed) the listing price of the pledged assets;
- sell or cause the sale of the pledged assets (i) in a private transaction (*vente de gré à gré*) at commercially reasonable terms (*conditions commerciales normales*), (ii) by a public sale at the stock exchange (if listed shares), or (iii) by way of a public auction;
- court allocation of the pledged assets to the pledgee in discharge of the secured obligations following a valuation made by a court-appointed expert; or
- set-off between the secured obligations and the pledged assets.

As the Luxembourg Collateral Act does not provide any specific time periods and depending on (i) the method chosen, (ii) the valuation of the pledged assets, (iii) any possible recourses, and (iv) the possible need to involve third parties, such as, *e.g.*, courts, stock exchanges and appraisers, the enforcement of the security interests might be substantially delayed.

The Luxembourg Collateral Act expressly provides that financial collateral arrangements (including pledges) including enforcement measures are valid and enforceable, even if entered into during the hardening period, against third parties including supervisory, receivers, liquidators and any other similar persons or bodies irrespective of any bankruptcy, liquidation or other situation, national or foreign, of composition with creditors or reorganization affecting any one of the parties.

The appointment of a foreign security agent will be recognized under Luxembourg law, (i) to the extent that the designation is valid under the law governing such appointment and (ii) subject to possible restrictions. Generally, according to paragraph 2(4) of the Luxembourg Collateral Act, a security (financial collateral) may be provided in favor of a person acting on behalf of the collateral taker, a fiduciary or a trustee in order to secure the claims of third party beneficiaries, whether present or future, provided that these third party beneficiaries are determined or may be determined. Without prejudice to their obligations vis-a-vis third party beneficiaries of the security, persons acting on behalf of beneficiaries of the security, the fiduciary or the trustee benefit from the same rights as those of the direct beneficiaries of the security aimed at by such law.

The perfection of the security interests created pursuant to pledge agreements does not prevent any third party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. Such creditor may seek the forced sale of the assets of the pledgors through court proceedings, although the beneficiaries of the pledges will in principle remain entitled to priority over the proceeds of such sale (subject to preferred rights by operation of law).

Foreign law governed security interests and the powers of any receivers/administrators may not be enforceable in respect of assets located or deemed to be located in Luxembourg. Security interests/ arrangements, which are not expressly recognized under Luxembourg law and the powers of any receivers/administrators might not be recognized or enforced by the Luxembourg courts, even over assets located outside of Luxembourg, in particular where the relevant Luxembourg security provider or the relevant Luxembourg Obligor becomes subject to Luxembourg insolvency proceedings or where the Luxembourg courts otherwise have jurisdiction because of the actual or deemed location of the relevant rights or assets, except if a "main insolvency proceedings" (as defined in of the EU Insolvency Regulation) are opened under Luxembourg law and such security interests/arrangements constitute rights in rem over assets located in another Member State in which the EU Insolvency Regulation applies, and in accordance with article 5 of the EU Insolvency Regulation.

Limitation on the Luxembourg Guarantors' Guarantees

The Companies Act 1915, does not provide for rules governing the ability of a Luxembourg company to guarantee the indebtedness of another entity of the same group. It is generally held that within a group of companies, the corporate interest of each individual corporate entity should, to a certain extent, be tempered by, and subordinated to, the interest of the group. A reciprocal assistance from one group company to another does not necessarily conflict with the interest of the assisting company. However, this assistance must be temporary, in proportion with the real financial means of the assisting company or have a reciprocal character. A company may give a guarantee provided the giving of the guarantee is covered by the company's corporate objects and is in the best interest of the company. The test regarding the guarantor's corporate interest is whether the company that provides the guarantee receives some consideration in return (such as an economic or commercial benefit) and whether the benefit is proportional to the burden of the assistance. A guarantee that substantially exceeds the guarantor company' ability to meet its obligations to the beneficiary of the guarantee and to its other creditors would expose its directors to personal liability. Furthermore, under certain circumstances, the directors of the Luxembourg company might incur criminal penalties based on the concept of misappropriation of corporate assets (article 171-1 of the Companies Act 1915). The guarantees granted by a Luxembourg guarantor **(**a "Luxembourg Guarantor"**)** for the obligations of a relevant obligor which is not a direct or indirect subsidiary of that Luxembourg Guarantor will be limited to, with no double counting, a certain percentage of, among others, the relevant company's net worth, which shall be the higher of the following:

- ninety-five per cent (95%) of the sum of the Luxembourg Guarantor's Net Assets (as defined below) and its subordinated debt (*dettes subordonnées*) (as referred to in article 34 of the Luxembourg act dated December 19, 2002 concerning the trade and companies register and the accounting and annual accounts of undertakings, as amended), as reflected in the financial information of the Luxembourg Guarantor as of the date when such Luxembourg Guarantor has become a guarantor under the relevant agreements, including, without limitation, its most recently and duly approved financial statements (*comptes annuels*) and any (unaudited) interim financial statements signed by its board of managers (*gérants*) or directors (*administrateurs*), as the case may be; and
- ninety-five per cent (95%) of the sum of the Luxembourg Guarantor's Net Assets (as defined below) and its subordinated debt (*dettes subordonnées*) (as referred to in article 34 of the Luxembourg act dated December 19, 2002 concerning the trade and companies register and the accounting and annual accounts of undertakings, as amended), as reflected in the financial information of the Luxembourg Guarantor as of the date of payment of the relevant guarantee, including, without limitation, its most recently and duly approved financial statements (*comptes annuels*) and any (unaudited) interim financial statements signed by its board of managers (*gérants*) or directors (*administrateurs*), as the case may be.

"Net Assets" of a Luxembourg Guarantor shall mean all the assets (*actifs*) of the relevant Luxembourg Guarantor minus its liabilities (*provisions et dettes*) as determined by the relevant Luxembourg Guarantor, in accordance with Luxembourg generally accepted accounting principles (Lux GAAP) or IFRS, as applicable, and the relevant provisions of the Luxembourg Act of December 19, 2002 on the Luxembourg Companies Register, on accounting and on annual accounts of the companies, as amended.

Should the financial information referred to above not be available on the relevant date, the Luxembourg Guarantors Net Assets will be determined by the relevant security agent or any other person designated by the relevant security agent, acting reasonably and in good faith, in accordance with the Luxembourg accounting principles applicable to the relevant Luxembourg Guarantor and at the cost of the Luxembourg Guarantor.

A guarantee granted by a Luxembourg company could, if submitted to a Luxembourg court, depending on the terms of such guarantee, possibly be construed by such court as a suretyship (*cautionnement*) and not a demand guarantee or an independent guarantee. Article 2012 of the Luxembourg Civil Code provides that the validity and the enforceability of a suretyship (which constitutes an accessory obligation) are subject to the validity of the underlying obligation. It follows that if the underlying obligations were invalid or challenged, it cannot be excluded that the Luxembourg guarantor would be released from its liabilities under the guarantee.

The Netherlands

Insolvency

One of the Guarantors is incorporated under the laws of the Netherlands. In the event of insolvency of a Dutch company or a provider of security interests having its center of main interests in the Netherlands (each a "Dutch Provider"), any insolvency proceedings relating to the Dutch Provider would likely be based on Dutch insolvency law. Under certain circumstances, bankruptcy proceedings may also be opened in the Netherlands in accordance with Dutch law against companies that are not established under Dutch law provided that such company has an establishment in the Netherlands.

The following is a brief description of certain aspects of Dutch insolvency law:

There are two primary insolvency regimes under Dutch law: the first, moratorium of payments (*surseance van betaling*), is intended to facilitate the reorganization of a debtor's indebtedness and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate and distribute the proceeds of the assets of a debtor to its creditors. Both insolvency regimes are set forth in the Dutch Bankruptcy Act. A general description of the principles of both insolvency regimes is set out below.

An application for a moratorium of payments can only be made by the debtor itself. Once the request for a moratorium of payments is filed, the Court will immediately (*dadelijk*) grant a provisional moratorium and appoint an administrator (*bewindvoerder*) and often also a supervisor judge (*rechter-commissaris*). A meeting of creditors is required to decide on the definitive moratorium. If a draft composition (*ontwerp akkoord*) is filed simultaneously with the application for moratorium of payments, the Court can order that the composition will be processed before a decision about a definitive moratorium. If the composition is accepted and subsequently confirmed by the Court (*gehomologeerd*), the provisional moratorium ends as soon as the Court's decision becomes final. The definitive moratorium will generally be granted unless a qualified minority (more than one-quarter in amount of claims held by creditors represented at the creditors' meeting or more than one-third in number of creditors represented at such creditors' meeting) of the unsecured non-preferential creditors withholds its consent. The moratorium of payments is only effective with regard to unsecured non-preferential creditors. Under Dutch law, secured and preferential creditors (including tax and social security authorities) may enforce their rights against assets of the company in a moratorium of payments to satisfy their claims as if there were no moratorium of payments. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the debtor. However, the Court may order a "cooling down period" for a maximum period of four months during which enforcement actions by secured or preferential creditors are barred. Also in a definitive moratorium of payments, a composition (*akkoord*) may be offered to creditors. A composition will generally be binding on all unsecured and non-preferential creditors if it is (i) approved by a simple majority of the meeting of the recognized and of the admitted creditors representing at least 50% of the amount of the recognized and of the admitted claims, and (ii) subsequently ratified (*gehomologeerd*) by the Court. Under certain conditions, the Court or the judge commissioner (*rechter-commissaris*) (as the case may be) may derogate from this procedure. Consequently, Dutch insolvency laws could preclude or inhibit the ability of the Holders to effect a restructuring. Interest payments that fall due after the date on which a moratorium of payments is granted cannot be claimed in a composition.

Under Dutch bankruptcy proceedings, the assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors in accordance with the respective rank and priority of their claims. The general principle of Dutch bankruptcy law is the so-called *paritas creditorum* (principle of equal treatment) which means that all creditors have an equal right to payment and that the proceeds of bankruptcy proceedings shall be distributed in proportion to the size of their claims. However, certain preferred creditors (such as the tax and social security authorities) will have special rights that take priority over the rights of other creditors. The claim of a creditor may be limited depending on the date the claim becomes due and payable in accordance with its terms. Generally, claims of the noteholders that are due and payable by their terms within one year of the date of the bankruptcy of the relevant guarantor or security grantor will be accelerated and become due and payable as of that date. Each of these claims will have to be submitted to the bankruptcy to be verified. "Verification" under Dutch law means that the bankruptcy trustee determines the value of the claim and whether and to what extent it will be admitted in the bankruptcy proceedings to the purpose of the distribution of the proceeds. The valuation of claims that would not have been payable within one year from the date of the bankruptcy may be based on a net present value analysis. Interest payments that fall due after the date of the bankruptcy cannot be verified. The existence, value and ranking of any claims submitted by the noteholders may be challenged in the Dutch bankruptcy proceedings. Generally, in a creditors' meeting (*verificatie vergadering*), the receiver, the insolvent debtor and all provisionally verified creditors may dispute the verification of claims of other creditors. Creditors whose claims or value thereof are disputed in the creditors meeting may be referred to separate Court proceedings (*renvooi procedure*). Such renvooi procedures could also cause payments to the Holders to be delayed compared with holders of undisputed claims. As a moratorium of payments proceedings, in a bankruptcy a composition may be offered to creditors, which shall in general be binding on unsecured non-preferential creditors if (i) it is approved by a simple majority of the meeting of unsecured non-preferential creditors, with admitted and provisionally admitted claims representing at least 50% of the total amount of the admitted and provisionally admitted unsecured non preferential claims, and (ii) subsequently ratified (*gehomologeerd*) by the Court. Under certain conditions, the supervisory judge (*rechter-commissaris*) may derogate from this procedure. The Dutch Bankruptcy Act does not in itself recognize the concept of classes of creditors. Remaining amounts, if any, after satisfaction of the secured and the preferential creditors are distributed among the unsecured non-preferential creditors, who will be satisfied on a *pro rata* basis. Contractual subordination may to a certain extent be given effect in Dutch insolvency proceedings. The actual effect depends largely on the way such subordination is construed.

Secured creditors which have a right *in rem* (*goederenrechtelijke rechten*) may enforce their rights against assets of the debtor to satisfy their claims under a Dutch bankruptcy as if there is no bankruptcy. As in moratorium of payments proceedings, the Court may order a “cooling down period” for a maximum of four months during which enforcement actions by secured creditors are barred unless such creditors have obtained leave for enforcement from the supervisory judge. The bankruptcy trustee may force a secured creditor to realize its security right by giving the creditor notice to do so within a reasonable time. A failure to take recourse by the creditor will result in the creditor forfeiting its rights to enforce its security rights, albeit that its claim shall continue to be preferred. However, in such an event the creditor must contribute to costs of the bankruptcy which may be considerable. Any excess proceeds of enforcement and for which there is no valid security right must be returned to the bankruptcy estate and may not be off set to any unsecured claims against the debtor.

Moreover, to the extent that Dutch law applies, a legal act performed by a debtor (including, without limitation, the provision of security or an agreement pursuant to which it guarantees the performance of the obligations of a third party and any other legal act having a similar effect) can be challenged in an insolvency proceeding or otherwise and may be nullified by any of its creditors or its bankruptcy trustee, if (i) it performed such acts without an obligation to do so (*onverplicht*), (ii) generally the creditor concerned or, in the case of its bankruptcy, any creditor was prejudiced as a consequence of the act, and (iii) at the time the act was performed both it and (unless the act was for no consideration (*om niet*)) the party with or towards which it acted, knew or should have known that one or more of its creditors (existing or future) would be prejudiced. In addition, in the case of such a bankruptcy, the bankruptcy trustee may nullify the debtor’s performance of any due and payable obligation (including (without limitation) an obligation to provide security for any of its or a third party’s obligations) if (i) the payee (*hij die betaling ontving*) knew that a request for bankruptcy had been filed at the moment of payment, or (ii) the performance of the obligation was the result of a consultation between the debtor and the payee with a view to give preference to the latter over the debtor’s other creditors.

Under Dutch law, as soon as a debtor is declared bankrupt, all pending executions of judgments against such debtor, as well as all attachments on the debtor’s assets, will be terminated by operation of law. Simultaneously with the opening of the bankruptcy, a Dutch receiver will be appointed. The proceeds resulting from the liquidation of the bankrupt estate may not be sufficient to satisfy unsecured creditors under the guarantees granted by a bankrupt guarantor after the secured and the preferential creditors have been satisfied. Litigation pending on the date of the bankruptcy order is automatically stayed. Foreign creditors are, in general, not treated different from creditors that are incorporated or residing in the Netherlands.

Limitations on Validity and Enforceability of the Notes Guarantees and the Security Interests

If a Dutch company grants a guarantee or a security interest and that guarantee or security interest is not in the Company’s corporate interest, the guarantee or security interest may be nullified by the Dutch company, its receiver in bankruptcy and its administrator (*bewindvoerder*) in conjunction with the board of the Dutch company and, as a consequence, not be valid, binding and enforceable against it. In determining whether the granting of such guarantee or security interest is in the interest of the relevant company, the Dutch Courts would not only consider the text of the objects clause in the articles of association of the company but all relevant circumstances including whether the company derives certain commercial benefits from the transaction in respect of which the guarantee or security interest was granted. In addition, if it is determined that there are no, or insufficient, commercial benefits from the transactions for the company that grants the guarantee or security interest, then such company (and its bankruptcy receiver) may contest the enforcement of the guarantee or security interest, and it is possible that such challenge would be successful. Such benefit may, according to Dutch case law, consist of an indirect benefit derived by the company as a consequence of the interdependence of such company with the group of companies to which it belongs. In addition, it is relevant whether, as a consequence of the granting of the guarantee or security interest, the continuity of such company would foreseeable be endangered by the granting of such guarantee or security interest. It remains possible that even if such strong financial and commercial interdependence exists, the transaction may be declared void if it appears that the granting of the guarantee or security interest cannot serve the realization of the relevant company’s objects or where it is determined that there is a material imbalance to the disadvantage of the Company between the commercial benefit of the one hand and the risks on the other hand. The above also applies with respect to any security interest granted or other legal act entered into by a Dutch company.

In addition, a guarantee issued by a Dutch company and a security provided by a Dutch company may be suspended or voided by the Enterprise Chamber of the Court of Appeal in Amsterdam (*Ondernemingskamer van het Gerechtshof Amsterdam*) on the motion of (i) one or more holders of shares (or depository receipts issued for shares) in the Dutch company who, solely or jointly, represent: (a) if the issued capital does not exceed €22.5 million, at least one-tenth of the issued capital or a nominal value of €225,000 or such lesser amount as may be provided by the articles of association (*statuten*) of the Dutch company; or (b) if the issued capital exceeds €22.5 million, at least one per cent. of the issued capital or, if the shares (or depositary receipts) are admitted to trading on a regulated market or multilateral trading facility (or comparable system in a non-EEA member state), at least €20 million as at the end of the last trading date prior to the filing of the application, or such lesser amount as is provided in the articles of association; (ii) the Dutch company; (iii) the supervisory board, or (if the Dutch company has established a one-tier board) the non-executive directors, of the Issuer; (iv) any person authorized to do so by the articles of association of the Issuer or under an agreement with the Dutch company; or (v) the liquidator in bankruptcy in the event of the Dutch company's bankruptcy. The right to file such motion is further vested in an association of employees which has among its members persons working for the enterprise and which has at least two years full legal capacity, and, for reasons of public interest, the advocate general at the Court of Appeal in Amsterdam. Likewise, the guarantee or security itself may be upheld by the Enterprise Chamber, yet actual payment under it may be suspended or voided.

Pursuant to Dutch law, payment under a guarantee or a security document may be withheld under the doctrines of reasonableness and fairness (*redelijkheid en billijkheid*), force majeure and unforeseen circumstances (*onvoorziene omstandigheden*) and other defenses afforded by Netherlands law to obligors generally; furthermore, under Netherlands law, a party to an agreement may under certain circumstances suspend performance of its obligations under such agreement pursuant to the exception non-adimpleti contractus or otherwise.

Under Dutch rules on financial assistance, a company may not grant guarantees or collateral with a view to the acquisition of its shares by a third party. This prohibition also applies to any subsidiaries of the relevant company (including foreign subsidiaries). It is generally assumed that a guarantee or collateral which violates Dutch financial assistance rules prohibitions is null and void. More specifically, if a guarantee or collateral partly violates financial assistance prohibitions, the guarantee or collateral will be void for that part. In addition, there is a risk that the void part will contaminate the remainder of the guarantee or collateral so that, from a Dutch law perspective, the guarantee or collateral is void in its entirety. In order to enable Dutch subsidiaries to grant guarantees or other collateral to secure liabilities of a direct or indirect parent or sister company without the risk of violating Dutch rules on financial assistance, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain so called "limitation language" in relation to subsidiaries incorporated or established in the Netherlands. Pursuant to such limitation language, it is agreed between the relevant parties that such guarantee or collateral is deemed not to be given to the extent the same would constitute a violation of the Dutch rules on financial assistance. Such limitation language will also be included in the guarantee and security documents granted by any Dutch Provider. Legislation which abolishes the financial assistance prohibition came into force on October 1, 2012. There is no transitional law included in the new legislation and therefore the financial assistance prohibition for private companies with limited liability (*besloten vennootschappen met beperkte aansprakelijkheid*) has ceased to exist as per October 1, 2012. To the extent any agreement, articles of association, security documents or any other document refer to Section 2:207c Dutch Civil Code only or do not contain any reference to financial assistance, the prohibition has ceased as per October 1, 2012. However, to the extent any agreement, articles of association, security documents or any other document has reflected in it the literal text of Section 2:207c Dutch Civil Code or similar provision, such provision will continue to apply as a contractual matter between parties regardless the abolishment of the financial assistance itself.

Poland

Insolvency

The Issuer's obligations under the Notes are or will be guaranteed by certain Guarantors incorporated in Poland (the "Polish Guarantors"). If a Guarantor's centre of main interests is in Poland, then pursuant to the Polish Bankruptcy and Rehabilitation Law dated 28 February 2003 (the "Polish Bankruptcy Law") and the EU Insolvency Regulation, the main bankruptcy proceedings of that Guarantor should be conducted before a Polish court. Any judgment opening insolvency proceedings granted by a Polish court will be recognized in all other European Union member states (except for Denmark) from the time that judgment becomes effective in Poland. Recognition of these bankruptcy proceedings will not preclude the opening of secondary bankruptcy proceedings, as described in more detail above.

According to the Polish Bankruptcy Law, the grounds for declaring bankruptcy of a debtor which is a commercial company are as follows:

- it does not fulfill its due and payable pecuniary obligations (*wymagalne zobowiązania pieniężne*), and/or
- its obligations (*zobowiązania*) exceed the total value of its assets (*majątek*), even if it discharges those obligations on time.

Each individual who has the right to represent the Polish Guarantor (whether alone or with others) is obliged to file a motion to declare the Polish Guarantor bankrupt within two weeks from the day on which the grounds for the declaration of bankruptcy arose.

Additionally, each of the Polish Guarantor's creditors or a debtor itself may file for bankruptcy of the relevant Polish Guarantor.

There are two types of bankruptcy proceedings under Polish law:

- "liquidation" bankruptcy, the principal aim of which is to satisfy creditors from the proceeds obtained from the sale of the debtor's assets (such bankruptcy would result in dissolution of the debtor's company, unless otherwise permitted by law); and
- "arrangement" bankruptcy, which are essentially aimed at satisfying creditors through a settlement approved by the required majority of creditors and the court (an arrangement may also provide for the satisfaction of creditors through liquidation of the bankrupt's assets).

Liquidation bankruptcy

In the event of liquidation bankruptcy, the court appoints a bankruptcy receiver (*syndyk*) who takes over the management of the bankrupt's assets. From this moment on, the receiver and not the debtor (the bankrupt entity) administers the bankrupt entity's assets and represents the bankrupt entity. The bankrupt entity's assets become bankruptcy assets which will be liquidated to pay off creditors. The receiver prepares a list of the assets. On the declaration of bankruptcy, all of the debtor's debts become due and payable. Interest may be paid from the bankruptcy estate only for the period up to the date of the declaration of bankruptcy, unless they are secured by mortgages, pledges, registered pledges, treasury pledges and/or maritime pledges, and satisfied from the security assets' proceeds.

Arrangement bankruptcy

The arrangement bankruptcy proceedings are conducted with respect to the debtor, where it has been credibly established that the creditors' claims will be satisfied in a greater extent than they would be in liquidation bankruptcy proceedings, unless, given the debtor's behavior to date, it is uncertain whether the arrangement will be fulfilled, which will not be relevant if the arrangement proposals include a liquidation of bankrupt's assets.

In the event of arrangement bankruptcy proceedings, the court appoints a court supervisor *(nadzorca sądowy*) or an administrator (*zarządca*) instead of the bankruptcy receiver. A court supervisor is appointed in situations where the debtor will continue to manage its assets, whereas an administrator is appointed when the debtor is deprived of the right to manage its assets.

If the required majority of creditors vote in favor of an arrangement, the arrangement is accepted and then approved by the court, unless the arrangement is contrary to the rules of law or it is obvious that it will not be performed. The court's decision approving the arrangement may be appealed. The accepted arrangement is binding on (affects) all creditors whose receivables are covered by the arrangement in accordance with the provisions of the Polish Bankruptcy Law. Certain receivables are not covered (affected) by the arrangement. These include, inter alia:

- claims secured on the bankrupt entity's assets with mortgages, pledges, registered pledges, treasury pledges and/or maritime pledges (to the extent covered by the value of assets on which security was established); a creditor whose claims are so secured may, however, consent to being subject to an arrangement;
- claims under derivative or repo transactions; and
- claims under employment contracts.

The rules under which the bankrupt entity's debts will be repaid are stipulated in the arrangement.

The most common arrangement involves the debtors paying only a portion of the debts and/or deferral of payments of such debts, and the bankrupt entity continuing its operations. It is also possible, however, to accept a liquidation arrangement where a determination is made as to how the bankrupt entity's assets and the business will be liquidated.

The court may change the manner of conducting the bankruptcy proceedings from the arrangement bankruptcy proceedings into the liquidation proceedings and vice versa, if the grounds for conducting a given type of the proceedings have became known after the declaration of bankruptcy.

Other bankruptcy-proceeding issues

Once bankruptcy is declared (irrespective of its type), no mortgage, pledge, registered pledge, treasury pledge and/or maritime mortgage can be established over the bankrupt entity's assets in order to secure a claim which arose before the declaration of bankruptcy. This does not apply to a mortgage where a motion to enter a mortgage in the land and mortgage register was filed with the court at least six months before the filing of the bankruptcy petition.

Provisions of an agreement which provide that such an agreement will be terminated or amended upon bankruptcy of one of the parties, are invalid. Also provisions of a contract to which the bankrupt entity is a party which hinder or prevent the objectives of the bankruptcy proceedings are ineffective against the bankruptcy estate.

If court proceedings against the bankrupt entity are pending on the day of the bankruptcy declaration in any common courts, then such proceedings are in some cases discontinued. If proceedings were pending in which the bankrupt entity was the plaintiff, the receiver or the administrator replaces the bankrupt entity. If a court supervisor is appointed, it would act together with the bankrupt entity in the proceedings.

All the arbitration clauses included in an agreement to which the bankrupt is a party expire with effect from the date of the bankruptcy declaration and if arbitration proceedings were pending on the date of the bankruptcy declaration, such proceedings are discontinued.

Creditors of the bankrupt entities have a right to submit their claims within the time limit indicated in a decision declaring bankruptcy. Claims supported by evidence of claims are usually admitted, *i.e.* included in the list of liabilities. If a filed claim is not included in the list, then a creditor has a right to appeal. The procedural requirements for submitting a claim are very formalistic.

Any debt (claim) payable in a currency other than zloty, regardless of whether the claim has fallen due or not, if put on the list of claims, will be converted into zloty aat the average exchange rate of the National Bank of Poland prevailing on the date the bankruptcy court issues a decision on the debtor's bankruptcy. Accordingly, in the event of bankruptcy, creditors (e.g. holders of the Notes) may be subject to exchange rate risk between such date when the bankruptcy court issues a decision on the debtor's bankruptcy and the date of receipt of any amounts in the course of bankruptcy liquidation.

In the case of liquidation bankruptcy, creditors of the Polish Guarantor will be satisfied from the proceeds obtained from the sale of a Polish Guarantor's assets. As a rule, debts of Polish Guarantor will be divided into five categories and creditors having their claims in a lower ranking category may not obtain satisfaction before all receivables in the higher ranking category have been fully satisfied. Any debt of a debtor may be paid only after certain debts that are entitled to priority have been satisfied. Such preferential debt includes, *inter alia*:

- the costs of bankruptcy proceedings;
- payments due under employment contracts for the period before the date of the declaration of bankruptcy; and
- payments to the state, such as taxes and social security obligations for employees.

Within each category, each receivable is satisfied pro rata to the total value of receivables listed in such category.

However, if an asset owned by the bankrupt entity (*i.e.* a Polish Guarantor) is subject to a mortgage, pledge, registry pledge, treasury pledge or a maritime mortgage, then a creditor in whose favor the security has been established has a right to receive proceeds from the sale of that asset with priority over unsecured creditors.

It is not clear whether Polish courts and/or an administrator (*zarządca*) and/or court supervisor (*nadzorca sądowy*) and/or a bankruptcy receiver (*syndyk*) (unless otherwise specifically stated, hereinafter the term "administrator" shall include each one of *zarządca, nadzorca sądowy* and/or *syndyk*) will give effect to provisions relating to the priority of claims agreed in intercreditor agreements and/or subordination agreements. There is a risk that in the course of insolvency proceedings claims of all unsecured creditors will be discharged on a *pari passu* basis, irrespectively of any provisions on subordination in intercreditor agreements, and the creditors who are the parties to such agreements may have to enforce their rights thereunder only outside of the insolvency proceedings (e.g. by claiming the return of particular amounts from other creditors who are the parties to such agreements).

Following a declaration of bankruptcy in respect of a Polish Guarantor, the following would be recognized, by operation of law, as ineffective against the Polish Guarantor's bankruptcy estate:

- any transaction of the Polish Guarantor, including its guarantee, if such transaction was executed within one year prior to filing of the motion to declare the Polish Guarantor bankrupt and to the extent that such transaction was a transaction at an undervalue, i.e., the Polish Guarantor disposed of or encumbered its assets for no consideration or for a consideration where the value of the Polish Guarantor's performance was glaringly higher than the consideration received by the Polish Guarantor or reserved for a third party; the above restriction does not apply to security interests created before the date of the declaration of bankruptcy in connection with certain financial term contracts (*terminowe operacje finansowe*) borrowing of financial instruments (*pożyczka instrumentów finansowych*) or repo contracts in financial instruments (*sprzedaż instrumentów finansowych ze zobowiązaniem do ich odkupu*), provided such contracts satisfy certain conditions set out in the Polish Bankruptcy Law;
- security interests established by the Polish Guarantor or the payment by the Polish Guarantor of a debt not yet due if the security was established or the payment was made within two months prior to the filing of the motion to declare the Polish Guarantor bankrupt; however, the holder of the respective security or a recipient of payment may file a lawsuit or plea seeking the assertion of effectiveness of the respective security or the payment, if at the time of execution of the transaction that holder or recipient was not aware of the existing grounds for declaring the Polish Guarantor's bankruptcy; the above restriction does not apply to security interests created before the date of the declaration of bankruptcy in connection with certain financial term contracts (*terminowe operacje finansowe*), borrowing of financial instruments (*pożyczka instrumentów finansowych*) or repo contracts financial instruments (*sprzedaż instrumentów finansowych ze zobowiązaniem do ich odkupu*), provided such contracts satisfy certain conditions set out in the Polish Bankruptcy Law; and
- any transactions if entered into within six months prior to the filing of the motion to declare the Polish Guarantor bankrupt and to the extent they were entered into with entities related to the Polish Guarantor: (i) the Polish Guarantor's shareholders, their representatives and/or relatives; or (ii) affiliated companies, their shareholders, and/or representatives or relatives of such shareholders; and/or (iii) the Polish Guarantor's subsidiary or holding companies.

Further, the judge commissioner may, under a motion from the bankruptcy estate administrator declare any encumbrances (security interests) established over the assets of the Polish Guarantor (such as mortgages, pledges, registered pledges, etc.) ineffective towards the bankruptcy estate, to the extent that the Polish Guarantor was not the personal (direct) obligor with respect to the underlying debt and if the encumbrance was established within one year prior to the filing of the motion to declare the Polish Guarantor bankrupt and the Polish Guarantor received no consideration or the consideration received was glaringly low compared to the value of the encumbrance. However, irrespective of the value of the consideration received, the judge commissioner will decide that the security interests established over the assets of the bankrupt entity are ineffective towards the bankruptcy estate if they secure obligations of an entity related to the bankrupt entity: (i) the Polish Guarantor's shareholders, their representatives and/or relatives; (ii) affiliated companies, their shareholders, and/or representatives or relatives of such shareholders; and/ or (iii) the Polish Guarantor's subsidiary or holding companies. Under Polish Bankruptcy Law, once bankruptcy of a company is declared by the relevant court no new encumbrances over such bankrupt company's assets may be established. This means that a registered pledge will not be entered into the relevant register of pledges post-bankruptcy, even if the registered pledge agreement had been entered into (and the application for filing had been submitted to the relevant court) before bankruptcy was declared. This limitation would not apply to mortgages in relation to which the application for filing had been submitted more than six months before the bankruptcy was declared.

Agreement on the security assignment of a thing, receivable or of another right is effective towards the bankruptcy estate if it was executed with a date certified by public notary or public authority. A creditor who benefits from such a security assignment may not request that the assigned right or asset be excluded from the bankruptcy estate. It will have, however, priority in satisfying its claim from the proceeds of the liquidation of such rights or assets.

The security interest created by any Polish Guarantor incorporated in Poland may be held to be wholly or partly invalid as a result of the opening of insolvency proceedings, within the meaning of the EU Insolvency Regulation against such Polish Guarantor in another Member State or as a result of the Polish courts being required, under that Regulation, to give effect to the law of that Member State or to recognize or enforce any judgment of a court of that Member State concerning those proceedings.

Limitations on the Guarantee

Article 11.2 of the Polish Bankruptcy Law provides that "a debtor which is a legal person shall be deemed insolvent also where its obligations are in excess of the value of its assets, even if it should be current in the discharge of these obligations." In light of this provision it is a market practice in Poland to structure guarantees in such a way that they do not cause Polish Guarantors to fall into the state of over-indebtedness (*stan nadmiernego zadłużenia*). Therefore, the guarantee to be provided by the Polish Guarantors should be worded in such a manner that the obligations of a Polish Guarantor are limited to the extent that they do not result in its insolvency within the meaning of Art. 11.2 of the Polish Bankruptcy Law (subject to certain exceptions).

The liability of a Polish Guarantor under the guarantee shall be limited to the extent that it does not result in a reduction of the Polish Guarantor's assets necessary to fully cover its share capital in breach of Art. 189.2 of the Polish Commercial Companies Code, pursuant to which shareholders may not receive any disbursements of the company's assets that are needed in order to fully cover the share capital.

Polish Civil Code

Under the Polish Civil Code of April 23, 1964, a creditor may request the court to declare a transaction (e.g. the granting of a guarantee or security or any disposal of assets) of such creditor's debtor ineffective towards such creditor if a third party obtains a benefit as a result of such transaction to the detriment of the debtor's creditors provided that the debtor acted with the knowledge of such detriment and the third party beneficiary (a) knew of that fact or could have known if it exercised due care or (b) obtained the benefit for no consideration. A transaction is to the detriment of creditors if, as a result of such transaction, the debtor becomes insolvent or becomes insolvent to a greater extent.

In addition, if a debtor's entering into a given agreement made it wholly or partially impossible to satisfy a third party's claim, such third party may request that the court declare such agreement ineffective towards that third party, provided that the debtor and the other party to the agreement knew of the third party's claim or if the agreement was for no consideration.

Registration of Security

The establishment and perfection of certain security instruments in Poland, in particular registered pledges and mortgages, requires the execution of certain documents and entry in certain registers. A registered pledge is effective at the actual date of registration. A mortgage is created at the registration with the back effect from the date of filing the application to the court. Registered pledges and mortgages have priority in the order they were registered, unless agreed otherwise. To the extent that the security grantor has tax obligations in Poland, registered pledge may be encumbered with a treasury lien for the benefit of the State Treasury. It is a standard market practice that until the entry of the pledge in the register, the payment obligations are secured, where possible, by a financial or civil pledge, which does not give the same scope of rights to secured creditors as the registered pledge in terms of protection against unauthorized transfers and subsequent charges.

Effectiveness of Security

Generally, the establishment of a registered pledge will not prevent third-party creditors of the security grantor from initiating enforcement proceedings to satisfy their claims. In such event, the Security Agent will have the right to participate in the distribution of funds resulting from such enforcement and its claims will have priority over unsecured claims of third parties (except for certain court-enforcement expenses, alimony claims and employee and pension claims) and claims secured with the lower-ranking pledges according to the order of priorities set forth in accordance with applicable law.

Under Polish law, pledges and mortgages are considered an accessory to the underlying secured obligations, which automatically terminate if the secured obligations have been satisfied, become void or otherwise expire or, in general, the pledge/mortgage is released by the pledgee/mortgagee.

South Africa

Insolvency Law Considerations

Certain HX Guarantors are incorporated under the laws of South Africa (the "South African Guarantors"). In the event of the insolvency of any of the South African Guarantors, the claims of holders of Notes and the beneficiaries of the Notes Guarantees would be subject to the insolvency laws of South Africa. The following is a brief description of certain aspects of insolvency law in South Africa.

Any creditor, or the debtor itself, may initiate insolvency proceedings in South Africa. Generally, a company will be considered to be insolvent if it cannot pay its debts as and when they become due.

After the initiation of liquidation proceedings, the debtor must refrain from any actions that are not in the ordinary course of business and which would reduce its assets. Under the Insolvency Act, 1936 of South Africa (the "SA Insolvency Act"), a court may set aside a disposition of property not made for value by a debtor. A court may set aside such a disposition if:

- the disposition was made more than two years before the date of liquidation, and it is proved that, immediately after the disposition was made, the liabilities of the debtor exceeded its assets; or
- the disposition was made within two years of the date of liquidation , and the person who benefited by the disposition is unable to prove that, immediately after the disposition was made, the assets of the debtor exceeded its liabilities.

In either case, if it is proved that "at any time after the making of the disposition" the liabilities of the debtor exceeded its assets by an amount less than the "value of the property disposed of", the disposition may be set aside only to the extent of such excess.

The SA Insolvency Act provides for the setting aside of a disposition of the debtor's property which is made not more than six months before the date of liquidation and had the effect of preferring one creditor over another, if immediately after the making of such disposition the liabilities of the debtor exceeded the value of its assets. If the person in whose favor the disposition was made proves that the disposition was made in the ordinary course of business and that it was not intended thereby to prefer one creditor above another, then such disposition may not be set aside.

The SA Insolvency Act provides that if a debtor made a disposition of its property at a time when its liabilities exceeded its assets, with the intention of preferring one of its creditors above another, and its estate is thereafter liquidated, the court may set aside the disposition. A surety for the debtor and a person in a position by law analogous to that of a surety is deemed to be a creditor of the debtor concerned.

A disposition which was completed and set aside by the court, or a disposition which was not completed, does not give rise to any claim in competition with the creditors of the estate. In the latter case, however, where the disposition was one of suretyship, guarantee or indemnity, the creditors in whose favor the suretyship, guarantee or indemnity was executed may compete with the creditors of the estate for an amount not exceeding the amount of the excess of the debtor's assets over its liabilities immediately before making the disposition.

The SA Insolvency Act provides for the setting aside of all transactions in terms of which the debtor, prior to insolvency and in collusion with another person, disposed of property belonging to the debtor in a manner which had the effect of prejudicing its creditors or of preferring one creditor over another. There is legal authority which states that in order for any transaction to be set aside under this provision, the transaction must have been concluded with a fraudulent intention. This applies equally to actions by creditors under South African common law.

Under South African common law, a disposition may be set aside where the creditors of the insolvent estate can prove that:

- the disposition reduces the assets of the company;
- the company and the entity in favor of whom the disposition was made had a common intention to defraud or prejudice the creditors of the insolvent; and
- the prejudice to the insolvent's creditors was caused by the fraud referred to above.

The SA Insolvency Act provides that if a company transfers any business belonging to it or the goodwill of such business or any goods or property forming part thereof (save in the ordinary course of that business or for the purpose of securing the payment of a debt) and such company has not published a notice of the intended transfer in the Government Gazette within a period of not less than thirty and not more than sixty days prior to the date of such transfer, the transfer shall be void as against the creditors of the seller for a period of six months after such transfer and, in addition, shall be void against the liquidator if the estate of the seller is liquidated within such time period.

Under South African insolvency law, there are three types of creditors, namely:

- preferred creditors;
- secured creditors; and
- concurrent creditors.

Preferred creditors are entitled to payment out of the free residue of the debtor's estate (that portion which is not subject to any security interests) and rank in right of payment before concurrent creditors. The SA Insolvency Act stipulates preferences in raking of certain claims of preferred creditors including, inter alia, salaries or remuneration of employees, statutory obligations (including workmen's compensation, customs and excise, unemployment insurance and value added tax), income tax and proved preferential claims arising from bonds which afford preferences but not security.

A secured creditor is one who holds security for its claim in the form of a special mortgage, landlord's legal hypothec, pledge or right of retention. A secured creditor is entitled to be paid out of the proceeds of the property subject to the security, after payment of certain expenses and any secured claim which ranks higher. If the proceeds of the encumbered property are insufficient to cover the secured creditor's claim, it has a concurrent claim for the balance from the free residue on the debtor's estate. Should the secured creditor choose to rely exclusively on its security, it waives the right to participate in the free residue.

Concurrent creditors do not enjoy any advantage over other creditors of the debtor. Concurrent creditors are paid out of the free residue of the debtor's estate after any preferred creditors have been paid. Concurrent creditors all rank equally. Should the free residue be insufficient to meet their claims, each receives an equal portion of its claim by way of a cash dividend.

Insolvency Procedures and Reorganizations

The Companies Act, 2008 of South Africa ("New Companies Act") has brought about significant changes to the corporate law of South Africa, including introducing a new regime of "business rescue" for financially distressed companies, which affect the rights of creditors. The New Companies Act repealed the Companies Act, 1973 of South Africa ("Old Companies Act") with the exception of the provisions that deal with the winding up and liquidation of insolvent companies (which will remain in effect until new insolvency legislation is enacted). The procedures available to wind-up or reorganize companies under South African law are:

- winding up;
- compromise with creditors; and
- business rescue.

Winding-up

The Old Companies Act, the New Companies Act and the SA Insolvency Act govern the winding-up of companies in South Africa. Any creditor that has an unpaid claim of more than ZAR 100 or the debtor itself may present an application for winding up to the court if the debtor is deemed unable, or is actually unable to pay its debts as and when they become due. A company is deemed unable to pay its debts in certain specified instances, such as the failure by a debtor to pay a judgment debt.

After the court has issued a winding-up order, a liquidator takes control of the debtor in the stead of its directors, who, in turn, are relieved of their powers to act as directors. The liquidator may be removed if he does not act in the best interest of the general body of creditors or has acted in a dishonest manner such as having misappropriated funds. The liquidator has certain primary functions. By way of example, the liquidator investigates the affairs of the debtor. The liquidator also takes control and possession of the assets of the debtor. Then the liquidator realizes the assets of the debtor in order to pay creditors of the debtor from the proceeds received from the sale of such assets. The liquidator administers the debtor's affairs in order to finally wind up its affairs.

In general, upon commencement of winding-up proceedings all creditors, including secured creditors, may not institute legal action to recover claims from the debtor. Instead they must seek to prove a claim against the debtor. If the claim is proved and the liquidator accepts the claim then the creditor will share in the proceeds from the sale of assets (in accordance with the ranking referred to above). If not, the creditor would have to either institute or continue legal action, substituting the liquidator as a party in the litigation. Provided that the liquidator has not elected to take possession of the assets forming the subject matter of a creditor's security (as more fully described below), a secured creditor is entitled, prior to the date of the second creditors' meeting, to realize its security provided that all proceeds from such realization will have to be paid over to the liquidator and such creditor will still be obliged to prove its claim, which will be paid to the extent of the realization and following final liquidation, in the ordinary course (after deduction from such proceeds of those of the costs of sequestration for which the creditor concerned is responsible).

Where the creditor has not realized its security prior to the second meeting of creditors, he is obliged to deliver the property to the liquidator who will realize the security, usually through public auction of the entire business or parts of the business, taking into account the best interests of the secured creditor. There can be no assurance that a liquidator's realization will be the same as that which a secured creditor might achieve on its own.

As an alternative to realization of a secured creditor's collateral, the liquidator may, by agreement with the creditor, take possession and control of the property from the secured creditor at a value agreed upon between the liquidator and the secured creditor or at the full amount of the creditor's claim.

Regardless of whether the liquidator intends to take over the collateral of one or more creditors, it is possible for the liquidator to continue operating the debtor's business in order to facilitate a sale of the debtor or its assets as a going concern. A liquidator may arrange interim funding for the debtor that is paid as part of the costs of the execution process, provided that the liquidator is reasonably confident the sale process will yield sufficient proceeds at relevant times to repay such funding. Court approval is required for any secured borrowings by the debtor. Typically, a liquidator will require indemnification from the creditors during continuation of the debtor's business.

Compromise with Creditors

A compulsory compromise of claims between the debtor and its creditors (once approved by creditors as referred to below) is contemplated in section 155 of the New Companies Act. A compromise with creditors under the New Companies Act may be proposed by the board of directors or, if the company is being wound-up, by the liquidator. This differs from the position under section 311 of the Old Companies Act, which enabled a creditor or a shareholder, in addition to the board of directors or the liquidator, to propose a compromise with creditors. To become effective, the proposed compromise with creditors must be supported by a majority in number, representing at least 75% in value, of the creditors (or each relevant class of creditor) present and voting in person or by proxy, at a meeting called for that purpose.

A proposal or a compromise with creditors adopted in accordance with the provisions of section 155 of the New Companies Act may be submitted to court by the company for an order approving the proposal. A court may sanction the compromise as set out in such proposal if it considers it "just and equitable to do so" having consideration to the facts (including the number of creditors present and voting) set out in the New Companies Act.

Since the New Companies Act does not place an obligation on a company to obtain court approval of the proposal, a view exists that it may be possible that all dissenting creditors may be bound by the compromise notwithstanding the absence of a court order sanctioning the proposal. In terms of this view, provided a majority in number representing 75% in value of the creditors approves the proposed compromise, the compromise will be binding on all dissenting minority creditors without any court scrutiny to ensure that the proposal is just and equitable. The contrary view is that the compromise can only be binding upon dissenting creditors if the compromise has been sanctioned by court. Neither of these contrary propositions have been tested in court yet (the New Companies Act having only recently come into effect).

Business Rescue

The New Companies Act introduced the concept of "business rescue", a concept similar to chapter 11 bankruptcy proceedings in the United States. Business rescue allows a company that is "financially distressed" (defined as occurring where it seems reasonably likely that the company will not be able to pay its debts as they become due and payable during the ensuing six months or it seems reasonably likely that the company will become insolvent in the ensuing six months) and which appears to have a "reasonable prospect" of rescue to avoid liquidation by implementing a business rescue plan.

Business rescue proceedings may be instituted by the board of directors of the company (by way of a company resolution to that effect) or by any affected person (including a shareholder or creditor, registered trade union or employee), on application to court or by the court of its own accord at any time during the course of any liquidation proceedings or proceedings to enforce any security against the company.

After initiating business rescue proceedings, the board of directors or the court, as the case may be, must appoint a business rescue practitioner who will assume full management control of the company in substitution for its board and pre-existing management. The Companies and Intellectual Property Commission (the "Commission") appoints each business rescue practitioner upon application by the board of directors or by an application to court by an affected person. However, directors are obliged to continue to exercise their functions, subject to the authority of the practitioner. The practitioner, after consultation with the creditors, other affected persons and the management of the company must prepare a business rescue plan for consideration and possible adoption at a meeting of creditors convened in accordance with the provisions of the New Companies Act listing, among other things, all details of the plan envisaged to rescue the company.

The company must publish a notice of the appointment of a practitioner to each affected person. The business rescue plan must be approved by creditors and, if the plan alters the rights of the holders of the company's securities, such holders must also approve the proposed business rescue plan. If not approved, the appointed business rescue practitioner may be required to revise the plan.

During a company's business rescue proceedings, the business rescue practitioner is empowered to suspend entirely, partially or conditionally, any provision of an agreement to which the company is a party (other than an employment contract or an agreement to which section 35A or 35B of the SA Insolvency Act applies) at the commencement of the business rescue period.

A provision of an agreement relating to security granted by a company would, notwithstanding suspension of same by a practitioner, continue to apply for the purposes of the disposal of the asset forming the subject matter of such security in respect of any proposed disposal of property by the company.

These powers have significant implications for claims of, and security held by, creditors. A practitioner may, for example, have the power to suspend provisions relating to creditors' rights, while maintaining provisions relating to creditors' performance obligations; however any cancellation of such provision of an agreement shall be subject to creditor and court approval.

During business rescue proceedings, a general moratorium is placed on legal proceedings against the company, and no legal action, including enforcement action, against the company, or in relation to property of the company, may be commenced except with, inter alia, the written approval of the practitioner or leave of court. The only recourse provided for the affected creditor in the New Companies Act whose agreement with the company, or any provision thereof, has been suspended either entirely, partially or conditionally, during the course of business rescue proceedings, is to institute a claim for damages against the company.

The New Companies Act provides a degree of protection of property interests of a party that has security over, or title interest in, property held by the company. It states that if the company wishes to dispose of any property in which another person has any security over, or title interest in, the company (via the business rescue practitioner) must obtain the prior consent of that other person, unless the proceeds from the disposal would be sufficient to fully discharge the indebtedness protected by that person's security or the title interest and, following the disposal, either promptly pays to that person the sale proceeds attributable to that property up to the amount of the company's indebtedness to that other person or provide security for the amount of those proceeds, to the reasonable satisfaction of that other person.

Once under business rescue, claims against the company will rank as follows: (a) the practitioner's remuneration and expenses; (b) amounts due and payable to employees during business rescue proceedings; (c) post-commencement financing which is secured (in the order of preference in which they were incurred); (d) post-commencement financing which is unsecured (in the order of preference in which they were incurred); (e) secured financing which was incurred prior to the commencement of business rescue proceedings; (f) unsecured financing incurred prior to the commencement of business rescue proceedings; (g) all other unsecured claims against the company; and (h) shareholder claims against the company. No mention is made of secured claims prior to commencement of the business rescue proceedings in this section of the New Companies Act. However, the New Companies Act does state that to the extent that the practitioner's remuneration and expenses are not fully paid, the practitioner's claim for those amounts will rank in priority before the claims of all other secured and unsecured creditors.

The business rescue regime is an entirely new regime and significant interpretive questions remain unanswered. Many of the important concepts remain untested and, as such, it is impossible to predict the ultimate impact of the regime.

Reckless Trading

Under section 22 of the New Companies Act, a company is prohibited from carrying on its business recklessly, with gross negligence, with intent to defraud any person or for any fraudulent purpose or to trade under insolvent circumstances. Directors who allow their companies to trade under such circumstances may be held personally liable for any loss or damages sustained by the company as a consequence of allowing the company to trade recklessly or under insolvent circumstances. The Commission may issue a notice to a company where the Commission has reasonable grounds to believe that the company is carrying on its business in a reckless manner or under insolvent circumstances to show cause why the company should be permitted to continue carrying on its business. If the company to whom the notice has been issued fails, within twenty business days, to satisfy the Commission that it is not engaging in reckless trading, the Commission is empowered to issue a compliance notice to the company requiring it to cease carrying on its business or trading.

Limitation on Enforcement

The Financial Surveillance Department of the South African Reserve Bank's ("SARB") current policy is to "pre-approve" certain types of transactions, payments and transfers for exchange control purposes. The issuing of a guarantee or the granting of security over property by South African residents in favor of non-South African residents is a type of transaction that requires pre approval. Therefore, in order for a South African resident to issue a guarantee or provide security to a non-South African resident, the South African resident will be required to obtain the necessary approval from the SARB. In this regard, the SARB's prior approval in respect of the South African Guarantors providing a guarantee and security to the Security Agent will have to be obtained. No further approval will be required for the repatriation of funds realized by the non-resident secured party subject to any other conditions set out in the SARB approval, such as providing notice to the SARB of the repatriation.

United Kingdom

Certain of the Guarantors and providers of Collateral are incorporated in the United Kingdom, maintain their respective registered offices in and conduct their business and the administration of their interests on a regular basis in and from England and Wales (each a "UK Provider"). On the basis of these factors, an English court may conclude that the UK Providers have their center of main interests, within the meaning of the EU Insolvency Regulation, in England and therefore insolvency proceedings in England constituting "main insolvency proceedings" under article 3(1) of the EU Insolvency Regulation may be commenced in respect of a UK Provider, in which case English law would apply to those proceedings and the effects of those proceedings must be recognized by Member States across the European Union (except Denmark). Any insolvency proceedings of a UK Provider would therefore likely but not necessarily be based on English insolvency laws. There is for example a rebuttable presumption that the center of main interests will be in the jurisdiction of a company's incorporation, but this presumption is not conclusive. Under the EU Insolvency Regulation, territorial or secondary proceedings may be commenced against a company in other Member States of the European Union (except Denmark) even if the center of main interests is in England, provided that the company has an establishment in that other Member State. The effects of these proceedings would be restricted to the assets of the relevant company situated in that Member State. Further, the EU Insolvency Regulation would not affect the jurisdiction of courts outside the European Union to open insolvency proceedings in respect of an UK Provider in accordance with their local insolvency laws.

Accordingly it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced or the outcome of such proceedings. The insolvency and other laws of different jurisdictions may be materially different from, or in conflict with, each other including in the areas of rights of secured and other creditors, the ability to void preferential transfers, priority of governmental and other creditors, ability to obtain post-petition interest and duration of proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdictions' laws should apply, adversely affect your ability to enforce your rights under the Note Guarantees or the Collateral in these jurisdictions and limit any amounts that you may receive.

The following is a brief description of certain aspects of insolvency law in England and Wales and a summary of certain limitations on the enforceability of the Note Guarantees and the security interests.

Liquidation

Liquidation is a terminal insolvency procedure applicable to companies under the Insolvency Act 1986 (the "UK Insolvency Act"). There are three ways a UK Provider may be placed into liquidation or be "wound up"; these are: (1) members' voluntary liquidation (which is a procedure available to solvent companies only), (2) creditors' voluntary liquidation, and (3) compulsory winding-up (a court-based procedure). There is no automatic statutory moratorium that applies as a result of the liquidation to prevent the holders of security interests from taking steps to enforce their security interests. Where an English Subsidiary Guarantor is placed into liquidation, a creditor holding a valid mortgage, charge or other security interest will generally have four main options: (1) to realize the security, apply the proceeds towards discharge of the secured debt, and prove in the liquidation for any balance; (2) to retain the security and not prove in the liquidation, (3) to value the security and prove for any shortfall between that value and the value of the debt, and (4) to surrender the security and prove for the full amount of the debt.

Priority of Claims in a UK Liquidation or Administration

Upon liquidation of any UK Provider, the order of priorities is such that debts due by it to any holders of fixed charges over UK assets are paid first out of the realization proceeds of assets subject to such fixed charges (subject to the prior payment of the costs of preservation and realization of the fixed charge assets). Where there are floating charges, the liquidation (or administration) expenses, preferential creditors and unsecured creditors to the extent of the "ring-fenced" fund are paid out of floating charge realizations in priority to payments to creditors secured by virtue of floating charges – see further below: Inherent weaknesses of floating charge security. Thereafter, any debts owing to holders of a floating charge would be paid to the extent they are secured by that charge. Unsecured debts which are not preferential debts would be paid after the secured liabilities have been met from the relevant secured assets.

As discussed further below – see: Recharacterization of fixed security interests, certain of the security over UK assets expected to be created in favor of the Security Agent will be expressed as a fixed charge, but there is no certainty that the security will take effect as a fixed charge and it may well take effect as a floating charge. Where no security is provided by a UK Provider, the guarantee obligations of that UK Provider will be unsecured.

The same order of priority of debts applies in a UK administration – see further below.

Administration

Administration is an insolvency procedure under the UK Insolvency Act, pursuant to which a company may be reorganized or its assets realized under the protection of a statutory moratorium. The objective of the administrators is one of the following: rescuing the company as a going concern or, achieving a better result for the company's creditors as a whole or, realizing property to make a distribution to secured or preferred creditors.

A company may be put into administration either pursuant to a court order or via an out-of-court process. Broadly speaking (and subject to specific conditions), a company can be placed into administration by the court at the application of, among others, the company itself, its directors or one or more of its creditors (including contingent and prospective creditors). An administrator can also be appointed out of court by the company itself, its directors or by the holder of a qualifying floating charge over the assets of the company provided such floating charge has become enforceable. In addition, such holder has the right to intervene in an administration application by nominating an alternative administrator or, in certain very specific circumstances, by blocking the appointment altogether by the appointment of an administrative receiver.

For the Security Agent (as the holder of the floating charge security) to be able to appoint an administrative receiver or an administrator to the company, the floating charge granted by the relevant English obligor must constitute a "qualifying floating charge" and further, in the case of the appointment an administrative receiver, the appointment must not be prohibited by the UK Insolvency Act (meaning it must fall within one of the exemptions to the general prohibition which otherwise prevents the appointment of administrative receivers).

In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which (a) states that the relevant statutory provision applies to it; (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. The Security Agent will be the holder of a qualifying floating charge if such floating charge security, together with any fixed charge security interests, relate to the whole or substantially the whole of the property of the relevant English company and at least one such security interest is a qualifying floating charge. Whether the assets that are subject to the floating charges and other security will constitute substantially the whole of the relevant English company's assets at the time that the floating charges are enforced will be a question of fact at that time.

The most relevant exception to the general prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the UK Insolvency Act), which will apply if it involves a grant of security to a person who holds the security as trustee for a party to the arrangement in connection with a "capital market investment" (which is defined in the UK Insolvency Act) and if the issue of the Notes creates a debt of at least £50 million for the relevant company during the life of the capital markets arrangement and the arrangement involves the issue of a "capital markets investment" (which is defined in the UK Insolvency Act, but is designed to cover certain debt instruments within the scope of the Financial Services and Markets Act 2000 (Regulated Activities Order 2001 (as amended) or, in the case of the Notes, an investment that is admitted to trading or designed to be admitted to trading on a "foreign market". For the purposes of the UK Insolvency Act, a "foreign market" has the same meaning given to "relevant market" in article 67(2) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended), A "relevant market" as defined therein includes "EEA Markets", and therefore the Luxembourg Stock Exchange.

Broadly speaking, an interim moratorium comes into effect when an application for an administration order (in the case of court appointment) or a notice of intention to appoint an administrator is made. At the commencement of the appointment of an administrator, a full statutory moratorium applies, pursuant to which creditors cannot take action against the company, including, among other things, commencing a legal process against the company, winding up the company or enforcing security or repossessing goods in the company's possession under a hire purchase agreement without the consent of the administrator or permission of the court. Certain creditors of a company in administration may be able to realize their security over that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to a "security financial collateral arrangement" (generally, cash or financial instruments such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003. The effect of the statutory moratorium is that were a UK Provider to enter administration, it is possible that the security granted by it or the guarantee granted by it (other than security financial collateral arrangements) may not be enforced while it is in administration and, while any principal debt or guarantee obligation owed to it would be accelerated or could be demanded, no meaningful enforcement action could be taken in respect of any failure to pay. In addition, a secured creditor could not appoint an administrative receiver (to enforce its security), any administrative receiver already appointed would be required to vacate office and any receiver of part of a UK Provider's property would be required to resign if requested to do so by the administrator (except a receiver of part appointed under a charge subject to the application of the Financial Collateral Arrangement (No.2) Regulations 2003).

Inherent Weaknesses of Floating Charge Security

Floating charge security may be vulnerable to certain prior costs, claims and expenses, notably:

(a) an administrator can dispose of floating charge assets as if the assets were not subject to the charge, and although the holder of the floating charge will have the same priority in respect of acquired property/assets as he had in respect of the property/assets disposed of, where the assets are disposed of for cash or receivables are collected, the cash may be used to meet administration claims and expenses including the costs of continuing to operate the charging company's business while in administration) – see (c) further below;

(b) a fixed charge, even if created after the date of a floating charge, may have priority over the floating charge as regards the assets charged by the fixed charge (provided the fixed charge holder had no notice of any restrictions);

(c) general costs and expenses properly incurred in a winding-up/administration of a company (including the liquidator's/administrator's remuneration, as appropriate) are payable out of floating charge assets to the extent the assets of the company available for unsecured creditors generally are otherwise insufficient to meet them (subject to certain restrictions for the costs of litigation incurred in a liquidation) in priority to the claims of the holder of the floating charge;

(d) until floating charge security crystallizes, a company is entitled to deal with its floating charge assets in the ordinary course of its 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;

(e) floating charge security may be subject to certain challenges under English insolvency law (please see "—Possible challenges to guarantees and security" below); and

(f) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees (subject to a cap per employee) and holiday pay owed to employees) and, where the floating charge is not a security financial collateral arrangement, to the claims of unsecured creditors in respect of a ring-fenced amount which must be paid out of floating charge realizations. As regards the latter an administrator, receiver (including administrative receiver) or liquidator of a company is required to ring-fence a certain percentage of the proceeds of realization of floating charge security (after making full provision for preferential creditors and expenses (floating charge realizations)) for the benefit of the unsecured creditors. Under current law, this applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000.

Small Companies Moratorium

A similar statutory moratorium could also arise were a UK Provider (as a "small company", as defined by the Companies Act 2006) to enter into a company voluntary arrangement and seek court protection from its creditors by way of a moratorium. The exception in respect of eligible security financial collateral arrangements would also apply. However, it is noted that none of the UK Providers will satisfy the eligibility criteria in order for the small companies moratorium to become applicable once the Guarantees and Collateral are granted.

Possible Challenges to Guarantees and Collateral

There are circumstances under English insolvency law in which the granting of security and guarantees may be challenged. In most cases this will only arise if an administrator or liquidator is appointed to the company within a specified period of the granting of the guarantee or security and, in addition the company was "unable to pay its debts" when the security interest or guarantee was granted or became "unable to pay its debts" as a result.

The following potential grounds for challenge may apply:

Under English insolvency law, the liquidator or administrator of a company may apply to the court to set aside a transaction entered into by such company, if the company was unable to pay its debts (as defined in section 123 of the UK Insolvency Act) at the time of, or as a result of, entering into the transaction and the company enters into liquidation or administration proceedings (known as the "onset of insolvency" and specifically defined in the UK Insolvency Act) within two years of the completion of the transaction. A transaction might be challenged in this way (as a transaction at an undervalue) if it involved the company making a gift or otherwise entering into a transaction on terms where it received no consideration or where the company received significantly less value than it gave in return. The court has powers to make any order it thinks fit in order to restore the position to what it would have been had the company not entered into that transaction. A court will not intervene, however, if it is satisfied that the company entered into the transaction in good faith and for the purposes of carrying on its business and if, at the time it did so, there were reasonable grounds for believing the transaction would benefit the company.

If the liquidator or administrator can show that the relevant company (i.e., the UK Provider) – has given a "preference" to any person within six months before the onset of insolvency (liquidation or administration) (or two years if the preference is to a "connected person") and, at the time of the preference, the relevant company was unable to pay its debt or became so as a result of entering into the preferential transaction, a court has the power to set aside the preferential transaction. For these purposes, a company gives a preference to a person if that person is one of the company's creditors (or a surety or guarantor for any of the company's debts or liabilities) and the company's action has the effect of putting that person into a position which, in the event of the company going into insolvent liquidation, will be better than the position that person would have been in if that thing had not been done. The court may not make an order avoiding a preferential transaction unless it is satisfied that the company was influenced by a desire to put that person in a better position. This provision of English insolvency law may affect transactions entered into or payments made by the relevant company during the relevant period prior to our or its liquidation or administration.

Further, an administrator or a liquidator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions entered into by the company up to three years before the day on which the company entered into administration or went into liquidation. A transaction is "extortionate" if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing.

In addition, if it can be shown that a transaction entered into by the relevant company was made for less than fair value and was made to shield assets from creditors, then the transaction may be set aside as a transaction defrauding creditors. Any person who is a "victim" of the transaction, and not just liquidators or administrators, may assert such a claim. There is no statutory time limit within which a claim must be made under this provision (although the usual limitation periods for bringing a claim under English law will apply) and the company need not be insolvent at the time of the transaction.

The UK Insolvency Act provides that, in certain circumstances, a floating charge granted by a company during the "relevant time" may be invalid in whole or in part if certain conditions are met. A floating charge which constitutes a "security financial collateral agreement" under the Financial Collateral Arrangements (No. 2) Regulations 2003 will not however be subject to challenge under these provisions. In the case of a floating charge which is created in favor of a person that is not connected to the company, the relevant time is deemed to be the period of 12 months ending with the onset of insolvency and at the time the charge was granted the company must have been unable to pay its debts or became unable to pay its debts as a result of the transaction in respect of which the floating charge was granted. If the floating charge is created in favor of a person connected to the company, the relevant time is a period of two years ending with the onset of insolvency.

As a result of the rights to challenge described above, in the event that a UK Provider becomes unable to pay its debts within a period of up to two years of the issuance of the Notes, an administrator or liquidator is appointed and the conditions contemplated in the relevant legal provisions are met, the provision of the relevant Guarantees and Collateral may be challenged by a liquidator or administrator or a court may set aside the granting of the Guarantees and Collateral as invalid.

A liquidator of a company may also, by giving a prescribed notice, disclaim any "onerous property" under section 178 of the UK Insolvency Act. The disclaimer determines the rights, interests and liabilities of the company in the relevant property. A person sustaining loss or damage as a result of the disclaimer is deemed to be a creditor of the company to the extent of the loss or damage and may prove for the loss or damage in the winding up.

Recharacterization of Fixed Security Interests

There is a possibility that an English court could find that the fixed security interests expressed to be created by the security documents governed by English law could take effect as floating charges as the description given to them as fixed charges is not determinative.

Where a UK Provider is free to deal with the secured assets in its discretion and without the consent of the chargee, a 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. Any security over shares will be granted by way of equitable mortgage or charge and any security over bank accounts will purport to grant either a fixed charge over such account or a floating charge which is expressed to convert (or "crystallize") into a fixed charge at a point in time in accordance with the provisions of such security. Whether such fixed security interests will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the Security Agent has the requisite degree of control over the UK Provider's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the Security Agent in practice.

Any recharacterization of a fixed charge security interest as a floating charge security interest will result in the security being subject to the inherent weaknesses of floating charge security highlighted above.

Currency of Debt

In addition under English insolvency law, when submitting a claim (proving) in an insolvency, any debt payable in a currency other than pounds sterling must be converted into pounds sterling at the "official exchange rate" prevailing at the date when the debtor went into liquidation or administration. This provision overrides any agreement between the parties. The "official exchange rate" for these purposes is the middle exchange rate on the London Foreign Exchange Markets as published for the date in question or, if no such rate is published, such rate as the court determines. Accordingly, in the event that we or a Guarantor goes into liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date that we or such Guarantor (as the case may be) went into liquidation or administration and receipt of any amounts to which such holders of the Notes may become entitled (by way of distribution in the liquidation or administration).

Limitation on Enforcement

The grant of a guarantee or security by any of the UK Providers in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be permitted by the respective company's memorandum and articles of association. To the extent that the above do not permit 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 company in good faith, however the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for the company in question by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the 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 as abusing their powers as directors and such a transaction may vulnerable to being set aside by a court.

Equitable Share Security

Security over shares granted by certain UK Providers are equitable mortgages or charges, not legal mortgages or pledges. An equitable mortgage or charge arises where a chargor transfers the beneficial interest in the shares to the chargee but retains legal title to the shares. Remedies in relation to equitable mortgages or charges may be subject to equitable considerations or are otherwise at the discretion of the court.

Account Bank Right to Set-off

With respect to any charges over cash deposits granted by a UK Provider over certain of its bank accounts, the bank with which those accounts are held could at any time (whether prior to or following a crystallization event under the relevant security agreement) exercise the rights of netting or set-off to which it is entitled under its cash pooling arrangements with that UK Provider. As a result, any such collateral will be subject to that bank's netting and set-off rights with respect to the bank accounts charged under such security agreement.

United States of America

Under U.S. federal bankruptcy laws or comparable provisions of state fraudulent transfer laws, under certain circumstances:

(i) the issuance of the guarantees and the grant of security in the collateral by entities subject to or organized under the laws of the United States or certain states thereof, including the State of Alabama and the State of Delaware (each, a "U.S. Provider") could be avoided;

(ii) claims in respect of such liens or obligations could be subordinated to some or all of its other debts and other liabilities;

(iii) the right of the Security Agent to repossess and dispose of the collateral of a U.S. Provider upon an event of default under the relevant Indenture governing the Notes is likely to be significantly impaired if such U.S. Provider commenced U.S. bankruptcy proceedings before such repossession or disposal occurs; and

(iv) the holders of the Notes could be required to repay any amounts received in connection with such Guarantee or Collateral.

Federal and State Insolvency Proceedings

Certain U.S. Providers may have operations that would subject any one or more either to federal bankruptcy laws under title 11 of the United States Code (the "U.S. Bankruptcy Code") or any applicable state law insolvency proceedings. Proceedings under the U.S. Bankruptcy Code vary and provide a debtor with discretion in its pursuit of a liquidation or reorganization strategy. The U.S. Bankruptcy Code provides a detailed statutory framework that, among other things, contains terms or provisions relating to: (a) the administration of a bankruptcy case, including the provision of "adequate protection" to the holders of the Notes, the automatic stay, terms for the use, sale or lease of property, standards for obtaining credit and the treatment of executory contracts and leases; (b) creditors and claims, including filing proofs of claim, priority and allowance of claims, rights of the holders of the Notes and subordination of claims; (c) provisions relating to the creation of the bankruptcy estate, including the scope of property of the estate and turnover and avoidance actions; liquidation under chapter 7 of the U.S. Bankruptcy Code; reorganization under chapter 11 of the U.S. Bankruptcy Code; and ancillary and cross-border insolvency cases under chapter 15 of the U.S. Bankruptcy Code.

As a general matter, chapter 7 of the U.S. Bankruptcy Code provides for the orderly liquidation of the debtor's assets by a trustee. Chapter 11 of the U.S. Bankruptcy Code is available to debtors who seek to rehabilitate their businesses and work out their obligations to creditors. Unlike in chapter 7, the debtor in a chapter 11 case typically remains in control of its assets and continues to operate its business during the course of the bankruptcy case. In addition, "liquidating" chapter 11 cases are a frequently utilized alternative to chapter 7 liquidations, especially where the conversion of a pending chapter 11 case to a case under chapter 7 might prove prohibitively expensive or in an instance when a debtor expects to sell all or substantially all of its assets. Because bankruptcy proceedings tend to be fact specific and vary case by case and because U.S. bankruptcy courts are courts of equity with broad discretionary powers, a detailed summary of all of the provisions of the U.S. Bankruptcy Code that could impact the Notes, the Collateral or the Guarantees is not contained herein.

With respect to proceedings under any applicable state insolvency laws (*e.g.*, assignments for the benefit of creditors, receiverships or other state liquidation mechanisms), the effects and customers of these proceedings are fact-specific, vary from state to state and require an examination of both statutory and common law, the details of which also are not described herein. To the extent more information is required, potential investors in the Notes should consult an insolvency professional familiar with U.S. and the applicable state insolvency laws.

Delay and Risks Associated in a Federal Bankruptcy Proceeding

If a bankruptcy proceeding were to be commenced under the U.S. Bankruptcy Code by or against any U.S. Provider, it is likely that delays will occur in enforcing the Guarantees or Collateral granted by the bankrupt U.S. Provider, because of specific provisions of such laws or by a court applying general principles of equity. Aspects of federal bankruptcy laws or general principles of equity that could result in the impairment of rights include, but are not limited to:

- the automatic stay;
- avoidance of preferential transfers by a trustee or debtor-in-possession;
- substantive consolidation of the assets and liabilities of multiple entities;
- limitations on collectability of unmatured interest or attorney fees;
- fraudulent transfer; and
- forced restructuring of the bonds issued by the bankrupt company, including reduction of principal amounts and interest rates and extension of maturity dates, over the holders' objections.

As an initial matter, the commencement of a bankruptcy case operates as a stay, applicable to all creditors, of most litigation against the debtor and efforts to collect prepetition claims, enforce existing liens or impose most new liens. The purpose of the stay is to provide the chapter 11 debtor time to reorganize and the chapter 7 trustee protection under which to liquidate in an orderly fashion the debtor's assets for the benefit of creditors. The automatic stay is also intended to shield a debtor from the pressures of creditor collection efforts. Among other things, the automatic stay prohibits (a) all collection efforts by creditors, (b) the enforcement of prepetition judgments against the debtor or property of the estate, (c) any act to create, perfect or enforce a lien against property of the estate and (d) the set-off of prepetition debts owing to the debtor against debts owing by the debtor. The automatic stay ordinarily does not bar suits against non-debtor guarantors or co-obligors, nor does it enjoin payment under a letter of credit issued by a bank in favor of a creditor of the applicable debtor. Applicable federal bankruptcy laws generally do not permit the payment or accrual of interest, costs and attorneys' fees for unsecured or "undersecured" claims.

Fraudulent Transfer Issues

Under the U.S. Bankruptcy Code or comparable provisions of state fraudulent transfer laws, the issuance of Guarantees or provision of Collateral by any U.S. Providers could avoided if, among other things, at the time the U.S. Providers issued the Guarantees or provided Collateral (as the case may be), the applicable U.S. Provider (a) intended to hinder, delay or defraud any present or future creditor; or (b) received less than reasonably equivalent value or fair consideration for the incurrence of such indebtedness and, in the case of (b) either:

- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the U.S. Provider's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measures of insolvency for purposes of the foregoing considerations will vary depending upon the law applied in any proceeding with respect to the foregoing. Generally, however, a U.S. Provider would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than all of its assets, at a fair valuation;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liabilities on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

However, there can be no assurance as to what standard a court may apply in making solvency determinations, and different courts may reach different conclusions with regard to these issues. In an evidentiary ruling in the *In re W.R. Grace & Co.* bankruptcy case, the U.S. Bankruptcy Court for the District of Delaware held that under the Uniform Fraudulent Transfer Act, whether a transferor is rendered insolvent by a transfer depends on the actual liabilities of the transferor, and not what the transferor knows about such liabilities at the time of the transfer. Therefore, under that court's analysis, liabilities that are unknown, or that are known to exist but whose magnitude is not fully appreciated at the time of the transfer, may be taken into account in the context of a future determination of insolvency. If the principle articulated by that court is upheld, it would make it very difficult to know whether a transferor is solvent at the time of transfer, and would increase the risk that a transfer may in the future be found to be a fraudulent transfer.

By their terms, the Guarantees of each U.S. Provider will limit the liability of each such guarantor to the maximum amount it can pay without the Guarantee being deemed a fraudulent transfer. It is not assured, however, that this limitation will protect such guarantees from fraudulent transfer challenges or, if it does, that the remaining amount due and collectible under the guarantees would suffice, if necessary, to pay the notes in full when due. In a recent Florida bankruptcy case, this kind of provision was found to be ineffective to protect the guarantees.

In addition to the avoidance power that may be exercised in a U.S. bankruptcy, claims in respect of liens or obligations evidenced by the Guarantees or Collateral may, in certain circumstances, be subordinated under the equitable subordination provisions of the U.S. Bankruptcy Code.

Preference Issues

Any future pledge of collateral in favor of the creditors might be avoidable by the pledgor (as debtor in possession) or by its trustee in bankruptcy if certain events or circumstances exist or occur, including, among others, if the pledgor is insolvent at the time of the pledge, the pledge permits the pledgee to receive a greater recovery than it would otherwise receive in a hypothetical Chapter 7 liquidation and a bankruptcy proceeding in respect of the pledgor is commenced within 90 days following the pledge, or, in certain circumstances, a longer period.

U.S. Recognition of Foreign Court Judgments

Judgments of foreign courts are not automatically enforceable in federal or state courts of the United States. With respect to foreign money judgments, recognition and enforceability will be governed by applicable state law. A majority of U.S. states have adopted a version of the Uniform Foreign Money Judgments Recognition Act (or a later revision thereof) (the "**U.S. Uniform Act**"). Although variations exist among states, the U.S. Uniform Act generally applies to any judgment granting or denying recovery of a sum of money rendered in a foreign jurisdiction (excluding judgments for taxes, fines, penalties and matrimonial support), so long as the judgment is final, conclusive and enforceable in the jurisdiction where rendered. Pursuant to the U.S.

Uniform Act, any such foreign judgment rendered by a court having proper personal and subject matter jurisdiction would, subject to considerations of public policy, be recognized and enforced by a United States state court that has adopted the U.S. Uniform Act (or a federal court sitting in such a state) and that also has appropriate personal and subject matter jurisdiction without reexamination of the merits of the case pursuant to which such foreign judgment was obtained and in the same manner as the judgment of a sister state that is entitled to full faith and credit, in an appropriate proceeding in accordance with the procedures of such court, provided that (a) the judgment debtor had received proper and sufficient notice of the subject proceedings, (b) the judgment was not obtained by fraud or by procedures that denied the judgment debtor a fair trial before an impartial tribunal or due process of law, (c) the proceedings in the foreign court were not contrary to an agreement between the parties under which the dispute in question was to be settled otherwise than by proceedings in that court, (d) the foreign court was not a seriously inconvenient forum for the trial of the action if jurisdiction over the judgment debtor was based only on personal service, and (e) the judgment did not conflict with another final and conclusive judgment. In addition to the foregoing, a number of states adopting the U.S. Uniform Act also require that the foreign court rendering the judgment reside in a jurisdiction that will reciprocally enforce judgments of United States courts. In states that have not adopted the U.S. Uniform Act, principles of comity will apply. The U.S. Uniform Act represents an attempt to codify general principles of comity, and should therefore be generally indicative of the types of principles that non-U.S. Uniform Law states would apply in determining whether to recognize a foreign judgment against the U.S. Providers.

Austria

Insolvency

In the event of insolvency of a Guarantor or provider of collateral organized under the laws of Austria and/or having its center of main interests in Austria at the time the application for the opening of insolvency proceedings is filed, Austrian insolvency law would most likely govern such proceedings.

The following is a brief description of certain aspects of the insolvency laws of Austria.

Austrian Insolvency Proceedings

In respect of the insolvency of companies, the Austrian Insolvency Code (*Insolvenzordnung*) provides the legal framework for three forms of insolvency proceedings (actually one uniform proceeding with three names depending on the procedural route taken):

- bankruptcy proceedings (*Konkursverfahren*), for which a bankruptcy administrator (*Masseverwalter*) is appointed
- restructuring proceedings without self-administration (*Sanierungsverfahren ohne Eigenverwaltung*), for which a bankruptcy administrator is also appointed and in which only a few provisions differ from those for a bankruptcy proceedings
- restructuring proceedings with self-administration (*Sanierungsverfahren unter Eigenverwaltung*), which are designed as a special form of restructuring proceedings and for which a restructuring administrator (*Sanierungsverwalter*) is appointed to supervise the debtor's management of the business (the debtor-in-possession concept).

Furthermore, Austrian law provides for reorganization proceedings (*Reorganisationsverfahren*), which – although not constituting insolvency proceedings – may affect creditors' separation rights.

While bankruptcy proceedings aim at the debtor's liquidation (the sale of the whole insolvency estate and distribution of sales proceeds), restructuring proceedings aim at the preservation of the debtor as a going concern. To that end, a restructuring plan (*Sanierungsplan*) must be prepared by the debtor and presented to its unsecured creditors for approval. Such restructuring plan presented in the course of restructuring proceedings with self-administration must offer satisfaction of all preferred claims and at least 30% of the insolvency claims payable within two years. In case of a restructuring plan to be adopted in the course of restructuring proceedings without self-administration, the minimum threshold is lowered to 20%.

If the adopted restructuring plan is fulfilled, the debtor is discharged of all its past debts.

To be regarded as insolvent, a debtor must pass one or both of two tests. The first is the cash flow test. This is one of illiquidity: it is unable to pay its debts as and when they fall due and payable, provided that such payment delay is not only temporarily where there is a high probability that liquid funds will be available in the near future. Courts allow the debtor a grace period, which (depending on the court) may take up to two months to overcome its payment delays before they consider the debtor illiquid. The second is the balance sheet test, which concerns over-indebtedness: liabilities on the debtor's balance sheet exceed the assets, in the presence of a negative going concern forecast (*Fortbestandsprognose*).

The effective date of insolvency is the date on which the debtor is, as a matter of fact, insolvent. The effective date is crucial with respect to a number of issues, including managing directors' obligation to file for the opening of insolvency proceedings and the beginning of hardening periods.

The debtor is obliged, "without culpable delay", to apply for the opening of insolvency proceedings no later than 60 days after the insolvency effective date. During this 60-day period, the managing directors may make reasonable efforts to prepare for a filing of restructuring proceedings or agree with the creditors on an out-of court settlement. Typically, the insolvency proceedings are opened immediately upon application by the debtor. Further, in the case of imminent insolvency, the debtor may (but is not obliged to) apply for the opening of restructuring proceedings. A creditor may also file for the opening of insolvency proceedings.

The initiation of insolvency proceedings brings about substantive and procedural law effects as of the beginning of the day that follows the publication of the insolvency edict in the edict database. As of this point in time, the managing directors lose the power to dispose over the insolvency estate – except in respect to legal acts in the course of ordinary business undertaken in restructuring proceedings with self-administration – and legal acts by the managing directors performed thereafter are ineffective as far as the creditors are concerned. In particular, the following are the most important effects:

Contracts may be terminated. As a general rule, bilateral agreements are not automatically terminated in case of the opening of insolvency proceedings. However, in a case where a bilateral agreement has not been fully fulfilled by both the debtor and the other party to such agreement, the insolvency administrator has the choice whether to continue and fulfill such agreement or to prematurely terminate such agreement within a certain time period to be set by the court upon application of one of the parties.

Further, any appointment as a legal representative (*Vollmachtsnehmer*) or as an agent (*Auftragnehmer*) granted by a debtor will cease to be valid upon the opening of insolvency proceedings over its assets.

Additionally, the insolvency administrator has certain preferential rights to terminate employment contracts in case the debtor's enterprise or a part thereof is closed or downsized during insolvency proceedings.

A debtor's contractual partner must not terminate contracts concluded with the debtor for a period of six months if such termination could endanger the continuation of the debtor's business (which is the case most of the times). However, this does not apply to the obligations of lenders to make (further) disbursements under a loan agreement.

Pursuant to section 25b para 2 of the Austrian Insolvency Code (*Insolvenzordnung*), a contractual stipulation providing for the right to withdraw from the agreement or for an automatic termination in the event of opening of insolvency proceedings (*Insolvenzverfahren*) against the other party is not enforceable by the debtor's contractual partner. To address this issue certain provisions are typically included in the relevant transaction documents by which the right to terminate the agreement is linked to certain events typically occurring before insolvency or the commencement of insolvency proceedings. These provisions are, however, not tested in court and may not be enforceable.

Any individual enforcement action brought against the debtor's assets by any of its unsecured creditors is subject to an automatic stay upon the opening of insolvency proceedings.

The title owner (*Eigentümer*) or the economic owner (in case of a trust relationship (*Treuhandschaft*)) of an asset in the possession of the debtor at the time of the opening of insolvency proceedings has a right of separation (*Aussonderungsrecht*) with regard to its assets. Such separation assets (*Aussonderungsgut*) do not form part of the insolvency estate (*Insolvenzmasse*) and the relevant creditor can (subject to a six-month stay as described below) require the surrender of its separation assets. During a period of six months after the opening of insolvency proceedings, the owners' claims for surrender of its separation asset are stayed (that is a legal respite becomes effective) if such surrender would endanger the continuation of the business conduct of the debtor provided that, among other things, such stay does not cause a severe personal or economic harm to the owner.

Creditor's rights secured by a right *in rem* over the debtor's assets or any part thereof over the debtor's assets or any part thereof (for example, by a mortgage or pledge over bank accounts, receivables, movables) are not affected by the opening of insolvency proceedings. This, however, requires prior perfection of the establishment of the security interest (subject to a six-month stay as described below). Such secured creditors have a right of preferential satisfaction (*Absonderungsrecht*) with regard to charged assets (*Absonderungsgut*) and are as such entitled to satisfy their claims out of the enforcement proceeds with regard to such charged assets. To the extent the net enforcement proceeds exceed the amount of secured claims, the excess proceeds are distributed to the unsecured creditors on a pro rata basis.

As is the case with the right to separation, the right of preferential satisfaction of a secured creditor may be subject to a compulsory stay for a period of six months.

Secured creditors who are not only secured by a charged asset, but also have a direct claim for payment against the debtor may participate with their claims which are not covered by the charged asset in the pro rata distribution of the insolvency estate in a bankruptcy proceedings or in the restructuring plan.

The rights of a secured creditor depend on the type of its right of preferential satisfaction. If no compulsory stay applies or the six month period has expired, the secured creditor can assert its claim outside of insolvency proceedings in regular court. The proceeds from the realization serve the preferred satisfaction of the secured claims.

A creditor is entitled to exercise its rights of set-off and netting in the course of insolvency proceedings; however, such rights are restricted to claims that have been compensable at the time of the opening of insolvency proceedings. A creditor's claim that has not become due at the time of the opening of insolvency proceedings, as well as a creditor's claim that is subject to a condition, are compensable by operation of law.

As a general rule, the debtor's enterprise (as well as its assets) must not be sold in the course of restructuring proceedings since restructuring proceedings aim at the preservation of the debtor as a going concern. In contrast, bankruptcy proceedings aim at the liquidation of the debtor through the sale of its assets.

A bankruptcy administrator is only appointed upon the opening of bankruptcy proceedings and restructuring proceedings without self-administration whereby the managing directors lose control over the debtor. In case of restructuring proceedings with self-administration the managing directors stay in control of the debtor; however, a restructuring administrator having a right to veto certain transactions out of the ordinary business is appointed. Under the supervision of the insolvency court and the creditors' committee, the insolvency administrator is acting in the interest of all creditors and its main functions are evaluating the merits of insolvency claims filed by creditors; deciding on whether the debtor's business may be continued; examining whether a restructuring plan is in the common interest of all creditors; distribution of liquidation proceeds; and, in case of a bankruptcy administrator, the management of the debtor's business (for certain transactions not part of the ordinary business, the consent of the creditors' committee or insolvency court is required).

As a general rule, the insolvency estate consists of all of the debtor's assets with a monetary value at the time of the opening of insolvency proceedings and all assets which have been acquired during such proceedings.

A loan granted by a shareholder to its insolvent subsidiary is treated as equity replacing (*eigenkapitalersetzend*): it must not be repaid to the lending shareholder (the same applies to interest to be paid on such loans), security granted in connection with such loans cannot be enforced and is treated like equity in the insolvency proceedings which means that the lender's claim will be subordinated.

Voidance Rights

In the event of insolvency proceedings, the insolvency administrator (*Konkursverwalter*) (in case of restructuring proceedings with debtor's asset management (*Sanierungsverfahren unter Eigenverantwortung)* the a restructuring administrator (*Sanierungsverwalter*)) can contest legal actions and transactions which have taken place within certain suspective periods prior to the opening of insolvency proceedings over the assets of the debtor (each such period referred to herein as a "hardening period") and which relate to the assets of the insolvent (illiquid or over-indebted) debtor, provided that those acts have reduced the funds of the insolvency estate (*Insolvenzmasse*) or have otherwise caused a direct disadvantage (*direkte Benachteiligung*), or indirect disadvantage (*mittelbare Benachteiligung*) provided that such indirect disadvantage was objectively foreseeable, to the creditors of the debtor.

Legal acts (*Rechtshandlungen*) may be contested:

- if they have caused disadvantage (*Benachteiligung*) to the creditors of the debtor, and
- if the debtor's intention to cause disadvantage must have been known (where slight negligence (*leichte Fahrlässigkeit*) of the counterparty is sufficient) to the counterparty,

  provided that such legal acts have been carried out during a hardening period of two years. If the counterpart had actual knowledge of such intention to cause disadvantage, such hardening period is extended to ten years.

  In case the debtor and the counterpart are members of the same affiliated group, the burden of proof is eased in favor of the contesting insolvency administrator since the respective creditor of the debtor must prove that it did not know of the debtor's intention to cause disadvantage to its creditors.

  The intention to cause disadvantage is fulfilled not only if the satisfaction of another creditor is prevented but also when it is delayed or aggravated.

Purchase, barter and delivery agreements (*Kauf-, Tausch- und Lieferverträge*) may be contested:

- if they have caused disadvantage (Benachteiligung) to the creditors of the debtor; and
- if the debtor's intention to fraudulently convey its assets (*Vermögensverschleuderungsabsicht*) (*e.g.*, selling the purchased shares for an unusual and unjustified low price) under such agreements must have been known to the counterpart,

provided that such agreements have been concluded during a hardening period of one year.

Transactions free of charge (*unentgeltliche Verfügungen*) may be contested, provided that such transactions have been concluded during a hardening period of two years.

If any of the following acts in relation to the providing of security interests or the satisfaction of claims occurred 60 days prior to or after the debtor had become illiquid (*zahlungsunfähig*) or insolvency proceedings had been open over the debtor's assets:

- a creditor has obtained a security interest regarding, or the satisfaction of, a claim to which such creditor was not entitled to receive in this way or at this time except in case such creditor has not been preferentially treated as compared to other creditors of the debtor; or
- the debtor has provided a creditor with a security interest or satisfied a claim with the intention to preferentially treat (*Begünstigungsabsicht*) such creditor if such creditor knew or must have known of the debtor's intent to preferentially treat such creditors,

such legal acts of the debtor can be contested provided that such acts were undertaken within a hardening period of one year.

If any of the following legal acts (*Rechtshandlungen*) were undertaken after the debtor had become illiquid (*zahlungsunfähig*) or insolvency proceedings had been open over the debtor's assets:

- legal acts (*Rechtshandlungen*) providing a security interest to , or the satisfaction of, a claim *vis-à-vis* an insolvency creditor and any legal transactions (*Rechtsgeschäfte*) entered into by the debtor with any third party to the direct detriment (*unmittelbarer Nachteil*) of its other creditors, if such third party counterpart knew or must have known of the debtor's illiquidity (*Zahlungsunfähigkeit*) or the opening of insolvency proceedings; or

- any legal transactions (*Rechtsgeschäfte*) entered into by the debtor with any third party to the indirect detriment (*mittelbarer Nachteil*) of its other creditors , if such third party counterpart knew or must have known of the debtor's illiquidity (*Zahlungsunfähigkeit*) or the opening of insolvency proceedings provided that the occurrence of such detriment for the insolvency estate (*Insolvenzmasse*) was objectively foreseeable. Such indirect detriment to other creditors is in particular foreseeable in the presence of an unfit restructuring concept (*offensichtlich untaugliches Restrukturierungskonzept*).

such legal acts of the debtor can be contested provided that such legal acts (*Rechtshandlungen*) were undertaken within a hardening period of six months.

Outside of insolvency proceedings, creditors can use the rights of contestation granted to them by the Austrian Act on Avoidance of Legal Transactions (*Anfechtungsordnung*). However, this act limits the right of contestation to transactions similar to those mentioned above of the Insolvency Code.

The claim for contestation can be filed by any creditor whose claim against the debtor has not been satisfied by the proceedings under the Austrian Enforcement Act (*Exekutionsordnung*) or is not likely to be satisfied by such proceedings. The relevant point in time is not the formal opening of insolvency proceedings, but the filing of the contestation claim with the competent court. The time period can be extended through notification procedure by the court. The rights of contestation under the Austrian Act on Avoidance of Legal Transaction may be exercised by any creditor.

Limitation on Enforceability of the Guarantees and any Collateral Granted by an Austrian Guarantor

GEA Klimatechnik GmbH is incorporated in the form of an Austrian Company with Limited Liability (*Gesellschaft mit beschränkter Haftung,*). Consequently, the grant of collateral by them is subject to certain mandatory Austrian capital maintenance rules ("Austrian Capital Maintenance Rules"), including, without limitation, section 82 et seq. of the Austrian Act on Limited Liability (*Gesetz über Gesellschaften mit beschränkter Haftung*) and sections 52 and 65 *et seq.* of the Austrian Joint-Stock Corporation Act (*Aktiengesetz*).

Austrian Capital Maintenance Rules aim at preserving the capital of a company with limited liability and of a joint-stock corporation, respectively, against undue distributions by such company to its shareholders. Further, Austrian Capital Maintenance Rules are protecting the interests of minority shareholders against undue distributions solely for the benefit of majority shareholder. In the light of such aims, the Austrian Supreme Court ruled that any direct or indirect distribution (a "Distribution")—*i.e.*, the entering into a business transaction that provides for any value transfer, including, but without limitation, providing a guarantee or any other security interest—to a shareholder, including to a third party upon request of a shareholder (e.g., to a holding company (up-stream) or a sister company (side-stream)), without adequate consideration constitutes an unlawful repayment of capital contributions (*verbotene Einlagenrückgewähr*) and, consequently, violates Austrian Capital Maintenance Rules.

A Distribution that does not provide for adequate consideration at first sight may, under certain circumstances, not constitute a violation of the Austrian Capital Maintenance Rules if it is "commercially justified (*betrieblich gerechtfertigt*)". A Distribution is commercially justified (*betrieblich gerechtfertigt*) only in case it passes the following test: whether a prudent business man (*sorgfältig handelnder Geschäftsleiter*) would have entered with an unrelated third party under the same circumstances into this particular transaction and, if the answer to that is yes, at the same terms (so called third party—or arm's-length—test (*Drittvergleich*)).

In the light of the above, whether the providing of a security interest is made for adequate consideration or otherwise "commercially justified (*betrieblich gerechtfertigt*)" must be evaluated on a case by case basis taking into account all particularities of the respective security contract and based on the assessment of the overall benefit for the security provider; such benefit may be the receipt of monetary compensation or other benefits which may come out of the economic cooperation with the up-stream or side stream company upon whose request the security interest has been provided.

In any event, a security interest provided under the following circumstances is typically not commercially justified (*betrieblich gerechtfertigt*) if

- providing such security interest bears the risk that the guarantor or other security provider becomes insolvent; or

- interests of one or more minority shareholders are violated.

An instruction to provide a security interest by a shareholder to its daughter company providing for a Distribution violating Austrian Capital Maintenance Rules is absolutely null and void. Consequently, the shareholder (side-stream or up-stream) who has received any Distribution thereunder is liable to the company for repayment of unlawfully received Distributions. Provided that the recipient of such security interest that provides for a Distribution in violation of Austrian Capital Maintenance Rules acted intentionally (*Kollusion*) or grossly negligently (*grob fahrlässig*) in regard to such violation, the security agreement or any other agreement providing for a Distribution is absolutely null and void and such recipients of security interest become liable for repayment of received moneys.

Consequently, to the extent a guarantee or collateral is provided by an Austrian Guarantor, any liability or obligation assumed by an Austrian Guarantor violates Austrian Capital Maintenance Rules, such guarantee, assumption of liability and obligation, or pledge is absolutely and fully null and void. To address such nullity due to the lack of commercial justification, a market standard limitation language is typically included in the relevant transaction documents (*i.e.*, indentures, credit agreements, guarantees and security documents) which shall reduce the scope of the guarantee / assumption of liability and obligation / pledge to the extent permissible under Austrian Capital Maintenance Rules. No case law is available to confirm and it is thus not certain whether these limitations would be valid and enforceable under Austrian law and achieve the desired effect of legally preserving the guarantees and security interests to the extent possible or whether the guarantees and/or security interests could be deemed void in their entirety.

Austrian Capital Maintenance Rules are subject to ongoing court decisions and it cannot be ruled out that future court rulings may further limit the access of creditors and/or shareholders to assets of subsidiaries constituted in the form of a corporation or of a limited partnership the general partner or general partners of which is or are corporations.

Parallel Debt

Under Austrian law, certain 'accessory' security interests such as pledges require that the pledgee and the creditor be the same person. Such security interests cannot be held on behalf of third parties who do not hold the secured claim. The beneficial holders of interests in the notes from time to time will not be parties to the security documents. In order to permit the beneficial holders of the notes to benefit from a secured claim, the security documents will provide for the creation of a 'parallel debt'. Pursuant to the parallel debt, the security agent becomes the holder of a claim equal to each amount payable by an obligor under the notes. The pledges governed by Austrian law will directly secure the parallel debt. The parallel debt procedure has not been tested under Austrian law, and there is no certainty that the parallel debt procedure will eliminate or mitigate the risk of unenforceability posed by Austrian law.

Singapore

Corporate Authorization and Capacity

Essentially, a company incorporated in Singapore (a "Singapore Company") must have the requisite capacity and power to borrow and to create such security interests within the parameters of its constitutional documents. This would also involve ensuring that the Singapore Company has taken all corporate action, including the passing of corporate resolutions required under its constitutional documents, to authorize the execution by it of the security documents or guarantees and the exercise by it of its rights and the performance by it of its obligations under the security documents or guarantees.

General Impediments to Enforcement

The general impediments to enforcement of security or guarantee in Singapore include the following:

- bankruptcy, insolvency, liquidation, reorganization and other laws affecting the rights of the creditors, including the appointment of a judicial manager over the Singapore Company's assets under Part VIIIA of the Singapore Companies Act (Chapter 50) (the "Singapore Companies Act") and the avoidance of vulnerable or fraudulent transactions;
- general principles of equity which may dictate that equitable remedies may not always be given if damages are adequate or which may deny or postpone relief where the circumstances dictate;
- limitation, laws of defenses of set-off and counterclaim; and
- illegality or public policy reasons.

Priority of Secured Creditors

Singapore insolvency laws generally recognize the priority of secured creditors over unsecured creditors.

In particular, upon the occurrence of certain events such as the making of a winding up order, the appointment of a provisional liquidator, the passing of a resolution for winding up (where the Singapore Company is insolvent) or the making presentation of an application by the Singapore Company or a creditor for the appointment of a judicial manager, in each case in respect of the Singapore Company, under Part VIIIA of the Singapore Companies Act, all creditors are prevented from enforcing any security over the Singapore Company's assets, except with the court's or judicial manager's permission. However, once appointed, upon effecting any sale or disposal of the Singapore Company's property subject to security, the judicial manager would (unless there are grounds to challenge the security itself) be obligated under section 227H of the Singapore Companies Act to recognize the priority of the secured parties to the proceeds or property derived from the sale or disposal. Certain claims may be granted priority in an insolvency of a Singapore Company that may rank ahead of the security.

Scheme of Compromise or Arrangement

When a scheme of compromise or arrangement is proposed, the court may on the application of the Singapore Company or of any member or creditor, restrain further proceedings in any action or proceeding against the Singapore Company except by leave of the Court.

Enforcement in Foreign Jurisdiction

The UNCITRAL Model Law on Cross-Border Insolvency has not been adopted by Singapore. Court orders made in Singapore in respect of the Singapore Company's insolvency do not have extraterritorial effect as of right in a foreign jurisdiction. However it may be possible to apply for enforcement in a foreign jurisdiction of an order or direction made pursuant to a scheme of arrangement or judicial management.

Stamp Duty

Under Singapore law, stamp duty of up to a maximum of Singapore Dollar 500 is imposed by the Inland Revenue Authority of Singapore in connection with the execution and delivery of any one of the stampable security documents.

Registration Requirements

It is necessary under the laws of Singapore in order to ensure the validity, effectiveness, performance and/or enforceability of the security interests created by certain of the security documents registrable under section 131 of the Singapore Companies Act that the obligations created thereunder be registered as a charge with the Accounting and Corporate Regulatory Authority in Singapore.

Unfair Preferences and Undervalue Transactions

Under Singapore insolvency law, a liquidator or judicial manager may apply to the court to set aside the granting of a guarantee or security on several grounds including on the basis that if such liquidator or judicial manager believed that the granting of the guarantee or security constituted a transaction at an undervalue. The transaction can be set aside if such transaction occurs within five years before the making of the winding up application, the appointment of a provisional liquidator or the passing of resolution for winding up (whichever is earlier) or the making of the judicial management application within five years before the earlier of the making of the winding up or judicial management application or passing of a resolution by the Singapore Company for voluntary winding up or appointment of a provisional liquidator before the resolution for voluntary winding up of the Singapore Company has been passed at the time when the statutory declaration made pursuant to section 291(1) of the Singapore Companies Act was filed with the Registrar of Companies, and the Singapore Company was insolvent when it entered into the transaction or became insolvent as a consequence of the transaction. Where the transaction was entered into with a person who is an associate of the Singapore Company (otherwise than by reason only of being its employee), the requirement that the Singapore Company was insolvent at the time of the transaction or became insolvent as a result of the transaction shall be presumed to be satisfied unless the contrary is shown. A Singapore Company will be treated as having entered into a transaction with a person at an undervalue if it involved a gift by the Singapore Company, if the Singapore Company received no consideration or if the Singapore Company received consideration of significantly less value, in money or money's worth, than the consideration given by the Singapore Company. There is a statutory defense however, so if the counterparty can establish that the Singapore Company entered into the transaction in good faith and for the purpose of carrying on its business and there were reasonable grounds for believing that the transaction would benefit the Singapore Company at that time, then the transaction will not be set aside.

A liquidator or judicial manager may also apply to the court for an order avoiding any action taken by a Singapore Company within six months (or two years if the person receiving the preference is connected with the Singapore Company) before the winding up application being made, the appointment of a provisional liquidator or the passing of resolution for winding up (whichever is earlier) or the making of the judicial management application before the earliest of the winding up or judicial management application being made or a resolution by the Singapore Company for voluntary winding up being passed or appointment of a provisional liquidator before the resolution for voluntary winding up of the Singapore Company has been passed at the time when the statutory declaration made pursuant to section 291(1) of the Singapore Companies Act was filed with the Registrar of Companies, if that action constitutes an unfair preference to another person. The Singapore Company will be treated as having given an unfair preference to another person if (a) that person is a creditor of the Singapore Company or a surety or guarantor for a debt or other liability of the Singapore Company, and (b) the Singapore Company does anything or suffers anything to be done that (in either case) has the effect of putting the person into a position which, in the event of the winding up of the Singapore Company, will be better than the position he would have been in if that thing had not been done. In order to be successful, it must be shown that the Singapore Company was influenced by a desire to produce the result referred to in (b) above and provided that, at the time or as a result of the preference, the Singapore Company was insolvent or became insolvent as a consequence of the preference. The desire to prefer is presumed in the case where the person receiving the preference is connected with the Singapore Company (otherwise than by reason only of being its employee).

Fraudulent Trading

Where it appears in the course of the winding up of a Singapore Company that any business of the Singapore Company has been carried on with intent to defraud creditors of the Singapore Company or creditors of any other person or for any fraudulent purpose, the court may declare that any person who was knowingly a party to the carrying on of the business in such a manner shall be personally liable for all or any of the debts or liabilities of the Singapore Company as the court may direct. This cause of action may be used by any creditor or contributory of the Singapore Company and is not therefore limited to liquidators or judicial managers. There is no statutory time limit within which the challenge must be made and the relevant Singapore Company does not need to be insolvent at the time of the transaction. Further, every person who was knowingly a party to the carrying on of the business with such intent or purpose shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $15,000 or to imprisonment for a term not exceeding seven years or to both. The fraudulent trading regime is supplemented by section 73B of the Conveyancing and Law of Property Act (Chapter 61) of Singapore which makes voidable every conveyance of property made with the intent to defraud creditors and that was not made to a person for valuable consideration and in good faith.

Difference in Insolvency Law

One of the Guarantors is incorporated under the laws of Singapore (“Singapore Guarantor”).

Any insolvency proceedings applicable to it will be likely to be governed by Singapore insolvency laws. Singapore insolvency laws differ from the insolvency laws of the United States and may make it more difficult for creditors to recover the amount in respect of the Singapore Guarantor’s guarantee and/or the Collateral securing the same than they would have recovered in a liquidation or bankruptcy proceeding in the United States.

Security over Book Debts

Where security is taken over the book debt of a Singapore company by way of an assignment, the Civil Law Act (Chapter 43) of Singapore prescribes that a statutory assignment must be by way of an absolute assignment in writing under hand of the assignor and express notice in writing thereof must be given to the debtor, trustee or other person from whom the assignor would have been entitled to receive or claim such book debt. Where such notice is not given, the assignment is only effective as an equitable assignment.

Fixed and Floating Charges

Fixed charges are superior to floating charges in a number of aspects. Until the floating charge security crystallizes, a company is usually entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can usually be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge and so as to give rise to the risk of security being granted over such assets in priority to the floating charge security. In addition, a floating charge created within six months of the commencement of the winding up of a chargor company will, unless it is proved that the chargor company immediately after the creation of the charge was solvent, be invalid except to the amount of any cash paid to the chargor company at the time of or subsequently to the creation of and in consideration for the charge together with interest on that amount at the rate of 5% per annum. Where the assets of the chargor company are insufficient to pay certain preferential debts (these include winding up costs, wages and salaries and retrenchment benefits), those preferential debts would have priority over a floating charge security in respect of those assets to which that floating charge attaches.

Amounts received in a winding-up or receivership from the realization of assets subject to a floating charge must first be used to pay the unsatisfied debts of holders of any fixed charge over such assets and then certain preferential creditors if applicable (explained above) before any distribution is made to the holders of that floating charge.

It is open to a court to find that assignments and charges described as fixed charges constitute floating charges rather than fixed charges, the description given to them as fixed charges not being determinative. Where the chargor, without the consent of the chargee, is free to deal with the assets or the proceeds of such assets that form the subject matter of the relevant charge, the court would be likely to hold that the charge in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge. In addition, to the extent that any of the assets secured by the relevant charge are not specifically identified, an insolvency official may hold that such assets which are expressed to be subject to a fixed charge may in fact be subject to a floating charge.

Preferential Creditors

Under section 328 of the Singapore Companies Act, in a winding-up of a Singapore company preferential debts are required to be paid in priority to all other debts other than those secured by a fixed charge. Certain preferential debts therefore have priority over debts secured by a floating charge (those listed in paragraphs (a) to (c) and (e) to (f) below) if the assets of the chargor company are insufficient to satisfy such preferential debts. The preferential debts covered by section 328 of the Singapore Companies Act are described briefly below:

(a) costs and expenses of the winding up;

(b) employees’ wages and salaries (including any gratuity payable to an employee on termination of his services);

(c) retrenchment benefits under employment contracts;

(d) work injury compensation under the Work Injury Compensation Act (Chapter 354) of Singapore;

(e) certain amounts due under employees' superannuation or provident funds or under any scheme of superannuation which is an approved scheme under Singapore income tax laws;

(f) other remuneration payable in respect of employees' vacation leave; and

(g) taxes assessed and goods and services tax.

Disclaimer of Onerous Contracts

Section 332 of the Singapore Companies Act provides that where any property of a company consists of either an estate or interest in land that is burdened with onerous covenants, shares in corporations, unprofitable contracts or any other property that is unsaleable by reason of its binding the company to any onerous act or payment of any sum, the liquidator may apply to disclaim such property within 12 months of (i) commencement of winding-up or (ii) such time as the liquidator becomes aware of such property or such extended period as is allowed by the court.

Enforcement Process

Receivership arises principally by way of enforcement of the right of the holders of security under mortgage or charges, as set out in the security document. The receiver is, in effect, an agent of the chargor company. Its rights and obligations are usually set out in the security document itself.

Receivers can be appointed on the basis of the powers set out in the security document. Security documents containing a floating charge over all of the assets and undertaking of a mortgagor, chargor or assignor typically provide for enforcement by means of the appointment of a receiver having full powers as a receiver and manager over all of the secured assets (*i.e.*, all of the assets and undertaking of a chargor), including the power of sale of the assets.

Extortionate Credit Transactions

Extortionate credit transactions may be voidable if they are entered into within a period of three years before the commencement of winding up or judicial management of a Singapore Company. Credit transactions are extortionate if, having regard to the risk accepted by the creditor, either the terms are such as to require grossly exorbitant payments to be made in respect of the provision of the credit or it is harsh and unconscionable or substantially unfair. If that is the case, it shall be presumed, unless the contrary is proved, that such credit transaction was extortionate.

Financial Assistance

Section 76 of the Singapore Companies Act prohibits the giving of financial assistance by a Singapore Company for the purpose of or in connection with the acquisition or proposed acquisition by any person of shares in the Singapore Company or shares in its holding company. The giving of financial assistance includes the making of a loan, the giving of a guarantee, the provision of security, the release of an obligation or the release of a debt or otherwise. A contract or transaction by which a Singapore Company acquires its own shares or shares in its holding company or by which a Singapore Company lends money on the security of its own shares or shares in its holding company in contravention of section 76 of the Singapore Companies Act shall be void. If the giving of guarantees and provision of security by the Singapore Company would constitute unlawful financial assistance under section 76 of the Singapore Companies Act, certain requirements and procedures in Section 76 of the Singapore Companies Act must first be complied with before the guarantees and security can be granted by the Singapore Company.

Italy

Security Granted under Italian Law

Under Italian law, accessory security interest such as pledges, require that the pledgee and the creditor of the obligation secured by the pledge shall be the same person. Such security cannot be held by a person on behalf of third parties who do not hold the secured claim. The beneficial holders of interests in the Notes from time to time will not be parties to the security documents. As a result, the ability of the beneficial owners of the Notes and the Security Agent to enforce security created under Italian law is subject to certain limitations. There is some uncertainty under Italian law (and the proposition is untested in Italian courts) whether security interests under Italian law can be validly created and perfected: (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of a "trustee", since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of a "trustee" as agent or trustee for holders of the Notes under security interests on Italian assets is debatable under Italian law.

To address this potential issue, the Collateral will be created and perfected in favor of the Trustee who acts in its capacity also performing duties analogous to the ones of a common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code. The enforceability of Italian law security granted in favor of a trustee acting as trustee and common representative (*rappresentante comune*) of the relevant creditors has not been tested before the Italian courts and, therefore, the risk of the relevant creditors being unable to enforce Italian law security cannot be eliminated or mitigated.

As a consequence the risk is that an Italian court may determine that the holders or the beneficial holders of the Notes at the time of enforcement are not secured by the security under the security governed by Italian law and/or cannot enforce that security. To mitigate this risk, *inter alia*, the guarantor of Italian law security and the Security Agent, will enter into an abstract acknowledgement of indebtedness under the Intercreditor Agreement and the Indenture, pursuant to which the Security Agent is expressed to become the holder of the secured claims for the benefit of the beneficial holders of the Notes (commonly referred to as "parallel debt" obligations). However, such so-called parallel debt structure has not been tested under Italian law and it cannot be assured that the Security Agent is recognized as the holder of a valid claim and, as such, entitled to enforce security. Therefore, the parallel debt structure will not *per se* eliminate or mitigate the risk of unenforceability of the Security governed by Italian law. If any challenge to the validity of the security interests governed by Italian law or the parallel debt structure was successful, the holders of the Notes and the Security Agent may not be able to recover any amounts under the security interests.

Therefore it shall be necessary to execute a deed of acknowledgement and extension of the Italian law security including a list of the relevant creditors at the time of the enforcement of the Italian law security. Therefore, it is advisable to appoint an Italian financial institution as Security Agent in relation to the Italian law security.

The procedures for the enforcement of Italian law security and the timing for obtaining judicial decisions (including in relation to security enforcement) in the Republic of Italy are materially complex and time-consuming, especially given that the Italian courts maintain a significant role in the enforcement process, in comparison to other jurisdictions with which investors may be familiar.

France

Limitations on Enforcement of Security Interests and "soulte"

Security interests governed by French law may only secure payment obligations and may only be enforced following a payment default (including following acceleration) and up to the secured amount that is due and remaining unpaid.

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

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

Should a holder of the Notes decline to request the judicial or contractual foreclosure of the securities, an enforcement of the pledged securities could be undertaken through a public auction in accordance with applicable law. If enforcement is implemented through a public auction procedure, it is possible that the sale price received in any such auction might not reflect the value of the securities since the latter will not be sold pursuant to a competitive bid process and/or a private sale organized by an investment bank and controlled by the vendor on the basis of a value determined pursuant to the methods usually used for the purpose of the acquisition of companies or groups of companies.

Parallel Debt—Trust

Under French law, certain "accessory" security interests such as rights of pledge require the pledgee and the creditor be the same person. Such security interests cannot be held on behalf of third parties who do not hold the secured claim, unless they act as fiduciary (*fiduciaire*) under Article 2011 of the French Civil Code. The beneficial holders of interests in the Notes from time to time will not be parties to the Security Documents. In order to permit the beneficial bondholders to benefit from a secured claim, the Intercreditor Agreement will provide for the creation of "parallel debt" obligations in favor of the Security Agent (the "Parallel Debt") mirroring the obligations of the Issuer and the Guarantors (as principal obligors) towards the bondholders under or in connection with the Indenture (the "Principal Obligations"). The Parallel Debt will at all times be in the same amount and payable at the same time as the Principal Obligations. Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. Pursuant to the Parallel Debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The pledges governed by French law will directly secure the Parallel Debt, and may not directly secure the obligations under the Notes and the other indebtedness secured by the Collateral. The bondholders will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent (even if they are in some instances direct beneficiaries of the security interests in the Collateral).

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

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

The Trustee has certain assigned duties and rights under the Indenture that become particularly important following Defaults or Events of Default, and acts in a fiduciary capacity in the best interests of the bondholders. The concept of "*trust*" has been recognized by the French Tax Code and the French Supreme Court (*Cour de cassation*), which has held, in the same published decision referred to above (Cass. com. September 13, 2011 n°10-25533 Belvedere) that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings commenced in France. However, while substantial comfort may be derived from the above, France has not ratified the Hague Convention of July 1, 1985 on the law applicable to trusts and on their recognition (the "Trust Convention"), so that the concept of "trust" has not been generally recognized under French law.

Recognition of Validity of Second or Lower Ranking Financial Securities Account Pledged by French Courts

The Intercreditor Agreement provides for a mechanism allowing the implementation of second or lower ranking pledged over financial securities accounts.

A pledge over the shares of a stock company (*société par actions*) governed by French law is a pledge over the relevant securities account (*nantissement de compte de titres financiers*) in which the shares of such company are registered. In France, no lien searches are available for security interests which are not registered, such a pledges over securities accounts (*nantissements de compte de titres financiers*). As a result, no assurance can be given on the priority of a pledge over a securities account in which the shares of such a company are registered.

Moreover, a pledge over securities accounts is deemed, under French law, to remove the securities account from the possession of the grantor, thereby preventing such grantor from granting a second or lower ranking pledge thereon. The second or lower ranking pledge over the shares of such a company will therefore provide that the possession of the securities account is transferred to the custody of an agreed third party as "*tiers convenu*" (*entiercement*), that the first ranking and second or lower ranking secured parties have consented to the creation of second or lower ranking pledge and that the first ranking secured parties have accepted their appointment as *tiers convenus* and hold the pledged securities as custodian for the benefit of both the first ranking and the second or lower ranking secured parties. This structure has not been tested before the French courts and no assurances can be given that such second or lower ranking pledges would be uphelf is tested. Therefore, there is a risk that the second or lower ranking pledge over the securities account in which the shares of such company are respectively registered may be held void or unenforceable by a French court, which in turn could materially adversely affect the recovery under the Notes or the Guarantees (as applicable) following an enforcement event.

NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and to non-U.S. persons in offshore transactions in reliance on Regulation S.

We have not registered and will not register the Notes under the U.S. Securities Act and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Issuers are offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to "qualified institutional buyers," commonly referred to as "QIBs" as defined in Rule 144A in compliance with Rule 144A; and
- to non-U.S. persons outside the United States in accordance with Regulation S.

We use the terms "offshore transaction," "U.S. person" and "United States" with the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuers and the Initial Purchasers as follows:

(1) You understand and acknowledge that the Notes and the Notes Guarantees have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. 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 U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) You are not our "affiliate" (as defined in Rule 144A) or acting on our behalf and you are either:

(a) a QIB, within the meaning of Rule 144A and are aware that any sale of these Notes to you will be made in reliance on Rule 144A, and such acquisition will be for your own account or for the account of another QIB; or

(b) you are a non-U.S. person and are purchasing the Notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that none of the Issuers, the Guarantors or the Initial Purchasers, nor any person representing any of them, has made any representation to you with respect to us or the offer or sale of any of the Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this offering memorandum. You have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

(4) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within its or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "Resale Restriction Termination Date") that is one year (in the case of 144A Global Notes) after the latest of the closing date, the closing date of the issuance of any additional Notes and the last date on which the applicable Issuer or any of its affiliates was the owner of the Notes or any predecessor of the Notes or 40 days (in the case of Regulation S Global Notes) after the later of the closing date and the date on which the Notes are first offered to persons other than distributors (as defined in Rule 902 of Regulation S) in reliance on Regulation S, only (i) to the applicable Issuer, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A to a person you

reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (iv) pursuant to offers and sales to non-U.S. persons that occur outside the United States in compliance with Regulation S or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the applicable Issuer's and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clauses (iv) and (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, 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 (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATEST OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S, ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (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 TRUSTEE 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.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(1) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(2) You acknowledge that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

(3) You acknowledge that the Trustee will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set forth therein have been complied with.

(4) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agree that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer

accurate, you shall promptly notify the Initial Purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(5) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer 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 Issuers or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*."

Any purchaser, including, without limitation, any fiduciary purchasing on behalf of (i) an employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) subject to the provisions of part 4 of subtitle B of Title I of ERISA or a plan to which Section 4975 of the Code applies (each, a "Plan"), (ii) an entity whose underlying assets include "plan assets" by reason of a Plan's investment in such entity (each, a "Benefit Plan Investor"), or (iii) a governmental, church or non-U.S. plan which is subject to any federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code ("Similar Laws"), transferee, or holder of the Notes will be deemed to have represented, in its corporate and fiduciary capacity, that:

(1) With respect to the acquisition, holding and disposition of Notes, or any interest therein, (1) either (A) it is not, and it is not acting on behalf of (and for so long as it holds such Notes or any interest therein will not be, and will not be acting on behalf of), a Plan, a Benefit Plan Investor, or a governmental, church or non-U.S. plan which is subject to Similar Laws, and no part of the assets used or to be used by it to acquire or hold such Notes or any interest therein constitutes the assets of any such Plan, Benefit Plan Investor or governmental, church or non-U.S. plan which is subject to Similar Laws, or (B)(i) its acquisition, holding and disposition of such Notes or any interest therein does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws); and (ii) none of the Issuers, the Guarantors, the Initial Purchasers, the Trustee or any of their respective affiliates, is a sponsor of, or a fiduciary (within the meaning of Section 3(21) of ERISA or, with respect to a governmental, church or non-U.S. plan, any definition of "fiduciary" under Similar Laws) with respect to, the acquirer, transferee or holder in connection with any acquisition or holding of such Notes, or as a result of any exercise by the applicable Issuer or any of its affiliates of any rights in connection with such Notes, and no advice provided by the Issuers or any of their affiliates has formed a primary basis for any investment or other decision by or on behalf of the acquirer or holder in connection with such Notes and the transactions contemplated with respect to such Notes; and (2) it will not sell or otherwise transfer such Notes or any interest therein otherwise than to a purchaser or transferee that is deemed (or if required by the applicable indenture, certified) to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes or any interest therein.

(2) The acquirer and any fiduciary causing it to acquire an interest in any Notes agrees to indemnify and hold harmless the Issuers, the Guarantors, the Initial Purchasers, the Trustee, and their respective affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.

(3) Any purported acquisition or transfer of any Note or beneficial interest therein to an acquirer or transferee that does not comply with the requirements of the above provisions shall be null and void *ab initio*.

PLAN OF DISTRIBUTION

The Senior Secured Notes Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Senior Secured Notes Issuer, the entire principal amount of the Senior Secured Notes. In addition, the Senior Notes Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Senior Notes Issuer, the entire principal amount of the Senior Notes. Each of the sales will be made pursuant to a purchase agreement among the Senior Secured Notes Issuer, the Senior Notes Issuer, Blitz, Galapagos BidCo and the Initial Purchasers to be dated the date of the final offering memorandum (the "Purchase Agreement").

The following table sets out the amount of Notes to be purchased by each Initial Purchaser in the Offerings:

Initial Purchasers[(1)]	Principal Amount of:		
	Senior Secured Floating Rate Notes	Senior Secured Fixed Rate Notes	Senior Notes
		(in € million)	
Deutsche Bank AG, London Branch	81.25	50.00	62.50
Commerzbank Aktiengesellschaft	48.75	30.00	37.50
ING Bank N.V., London Branch	48.75	30.00	37.50
RBC Europe Limited	48.75	30.00	37.50
The Royal Bank of Scotland plc	48.75	30.00	37.50
UniCredit Bank AG	48.75	30.00	37.50
Total	325.00	200.00	250.00

(1) Sales may be made through affiliates of the Initial Purchasers listed above or through U.S. registered broker dealers.

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase the Notes from the Issuers, are several and not joint. The Purchase Agreement provides that the Initial Purchasers will purchase all the Notes if they purchase any of them.

The Initial Purchasers initially propose to offer the Notes for resale at the respective issue prices that appear on the cover of this offering memorandum. After the initial Offering, the Initial Purchasers may change the prices at which the Notes are offered and any other selling terms at any time without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates, including in respect of sales into the United States. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel and our counsel. The Purchase Agreement also provides that, if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchasers may be increased or, in some cases, the offering may be terminated.

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any debt securities of, or guaranteed by, the Issuers, the Guarantors or any of their subsidiaries that are substantially similar to the Notes during the period from the date of the Purchase Agreement through and including the date falling 60 days after the Issue Date without the prior written consent of Deutsche Bank AG, London Branch.

The Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A and to non-U.S. persons in offshore transactions in reliance on Regulation S. 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 U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Important Information About This Offering Memorandum*" and "*Notice to Investors*."

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuers; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this offering memorandum and resale of the Notes. See "*Notice to Investors*."

The Notes are a new issue of securities for which there currently is no market. The Issuers will apply, through their listing agent, to list the Notes on the Official List of the LxSE and trade the Notes on the Euro MTF Market. However, the Issuers cannot assure you that such listing will be obtained or, if obtained, maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Related to the Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited*."

Delivery of the Notes has been made against payment on the Notes on or about the date specified on the cover page of this offering memorandum, which took place four business days (as such term is used for purposes of Rule 15c6-1 under the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T + 4"). Under Rule 15c6-1 under the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit the Initial Purchasers to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

In connection with the offering, the Stabilizing Manager, or a person acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager may bid for and purchase Notes in the open markets for the purpose of pegging, fixing or maintaining the price of the Notes. The Stabilizing Manager may also over-allot the offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk Factors—Risks Related to the Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited*."

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the offering of the Notes is made and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the date of issuance of the Notes and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

The Initial Purchasers and their respective 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. Certain of 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 us and our affiliates in the ordinary course of business, for which they have received or may receive customary fees and commissions. The Initial Purchasers or their affiliates may also receive allocations of the Notes. In addition, the Initial Purchasers or their respective affiliates are lenders under our Senior Facilities have committed to provide bridge financing in connection with the financing for the Acquisition in the event the Offerings are not consummated, and such entities may act as counterparties in the hedging arrangements we expect to enter into in connection with the Transactions, and will receive customary fees for their services in such capacities. UniCredit Bank AG, London Branch will also act as Security Agent for the Notes, the Senior Facilities and the Intercreditor Agreement and as agent under the Senior Facilities. In addition, an affiliate of Deutsche Bank AG, London Branch, acted as a financial advisor to the Sellers in connection with the Acquisition.

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 instruments of ours or our affiliates. If the Initial Purchasers or their affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the 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 our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuers are incorporated under the laws of Luxembourg. The Guarantors are incorporated in Austria, Belgium, Germany, Hungary, the Netherlands, Poland, Singapore, South Africa, the United Kingdom or the United States.

Our CEO and CFO live outside the United States. Most of the assets of our CEO and CFO and most of our assets are located outside the United States. As a result, although we and the Guarantors have appointed, or will appoint, an agent for service of process in New York under the Indentures governing the Notes, it may be difficult for you to serve process on those persons or us in the United States or to enforce judgments obtained in U.S. courts against them or us based on civil liability provisions of the securities laws of the United States. It may be possible for investors to effect service of process within Germany and Guarantor jurisdictions upon those persons or us or over our subsidiaries provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

If a judgment is obtained in a U.S. court against an Issuer or a Guarantor or a provider of Collateral, investors will need to enforce such judgment in jurisdictions where the relevant company has assets.

Even though the enforceability of U.S. court judgments outside the United States is described below for Germany, Luxembourg and The Netherlands, investors should consult with their own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

Belgium

The following discussion with respect to the enforceability of certain U.S. court judgments in Belgium is based upon advice provided to us by our Belgian legal advisors. Final and enforceable judgments rendered by U.S. courts can be declared enforceable (granting "exequatur") in Belgium according to the procedure set out in Articles 22 et seq. of the Belgian Code of International Private Law (*Wetboek van Internationaal Privaatrecht/Code de droit international privé*) (formal "exequatur" proceedings before a Belgian court) and provided that, pursuant to Article 24 of the same Code, the following documents are produced in court by the claimant seeking enforcement:

- an official copy of the judgment (*uitgifte van de beslissing/expédition de la décision*) fulfilling all conditions required for its authentication under the applicable foreign law;
- if obtained by default, an original or legalized copy of the document demonstrating that the originating process has been served on the defendant in accordance with the applicable foreign law; and
- any document demonstrating that, under the applicable foreign law, the judgment is enforceable and has been notified to the defendant.

However, the court will refuse enforcement in the circumstances described in Article 25 of the Belgian Code of International Private Law and notably, if, among other things:

- the consequences of such foreign decision would be manifestly contrary to Belgian public policy;
- the rights of defense were not respected;
- the jurisdiction of the foreign judge was based solely on the presence of the defendant or assets in such state without any further connection with the litigation in such state;
- without prejudice to Article 23.4 of the Belgian Code of Private International Law, the judgment is not final or does not meet the requirements of authenticity pursuant to the laws of the State where the judgment was rendered or the applicable federal rules;
- if in relation to matters for which parties cannot freely dispose of their rights, the decision has been sought with the sole purpose of escaping from the application of the laws applicable in accordance with Belgian conflict of law rules;
- the decision is in conflict with either a decision rendered in Belgium or a decision previously rendered in another state and such decision can be recognized in Belgium;
- the claim was introduced before the courts of such state after a claim, which is still pending and relating to the same matter and between the same parties, was introduced in a Belgian court;
- the Belgian courts have exclusive jurisdiction in relation to the claim; or
- the decision is in conflict with the rules on the recognition and enforcement of court decisions in relation to insolvency proceedings.

Note that the foreign judgments for which enforcement is sought will not be reviewed on the merits.

Germany

We have been advised by our German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on the state securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. 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 for payment given by any court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be enforceable in Germany. Under current practice, a final and conclusive judgment by a U.S. court for a definite sum of money, however, may be recognized and thereby given binding effect in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of the U.S. judgment by a German court is conditional upon a number of factors, including the following:

- the judgment being final under U.S. law;
- the U.S. court having had jurisdiction over the original proceeding under German law;
- the defendant having been duly and timely served with the complaint, or the defendant having entered an appearance in the procedure despite an unduly or untimely served complaint;
- the judgment of the U.S. court being consistent with any judgment rendered by a German court and any judgment rendered by a foreign court that is to be recognized in Germany, in each case handed down before the judgment of the U.S. court;
- the procedure leading to the judgment of the U.S. court being consistent with the procedure of a matter pending before a German court, provided that such matter was pending before a German court before the U.S. court entered its judgment;
- the enforcement of the judgment by the U.S. court being compatible with German public policy, including the fundamental principles of German law, and in particular the civil liberties (*Grundrechte*) guaranteed by virtue of the German Federal 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 U.S. courts in Germany. We cannot, however, assure you that attempts to enforce judgments in Germany will be successful.

German courts usually deny the recognition and enforcement of punitive damages. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages. Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation, moratorium as well as other similar laws affecting creditor's rights generally.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. In as far as the production of evidence is concerned, U.S. 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 equivalent pre-trial discovery process exists under German law.

Austria

As reciprocal recognition and enforcement of judgments within the meaning of section 79 Austrian of the Austrian Enforcement Act (*Exekutionsordnung*) between Austria and the U.S is currently not ensured by bilateral treaties or otherwise, judgments of a United States court are not recognized and enforceable in Austria.

Hungary

The recognition and enforcement of a judgment of the courts of New York in Hungary (or those of other U.S. states or the U.S. federal courts) would in some cases be uncertain, as there is no international agreement or reciprocity existing between Hungary and the United States with respect to the recognition and enforcement of judgments rendered under private law, under the U.S. securities laws and in pecuniary matters (*i.e.*, with respect to claims that may be expressed in monetary terms) (except for family law matters). While the jurisdiction (choice of court) clause in an agreement made under foreign law, such as New York law, would be recognized in Hungary, recognition and enforcement of a judgment may be precluded in some limited cases where Hungarian courts retained their exclusive jurisdiction, such as (but not limited to) cases involving the bankruptcy of a Hungarian corporation (such as that of a Hungarian guarantor).

In addition, a foreign judgment may not be recognized and enforced in Hungary if (i) doing so would violate public order (*i.e.*, public policy) in Hungary, (ii) the party against whom the decision was made did not attend the proceeding either in person or by proxy because the subpoena, statement of claim or other document on the basis of which the proceeding was initiated was not served at his domicile or residence properly or in a timely fashion in order to allow adequate time to prepare his defense, (iii) it was based on the findings of a procedure that seriously violated the basic principles of Hungarian procedural law, (iv) the prerequisites for litigation for the same right from the same factual basis between the same parties in front of a Hungarian court or another Hungarian authority have commenced before the foreign proceeding was initiated (suspension of plea) and (v) a Hungarian court or another Hungarian authority has already resolved a case by definitive decision concerning the same right from the same factual basis between the same parties (res judicata).

Luxembourg

The Issuers have been advised by Allen & Overy *société en commandite simple*, its Luxembourg counsel, that a valid final and conclusive judgment against a company incorporated in Luxembourg with respect to the Notes obtained from a court of competent jurisdiction in the United States, which judgment remains in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg subject to compliance with the enforcement procedures set out in Articles 678 et seq. of the Luxembourg Nouveau code de procédure civile being:

- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under its applicable laws, and such jurisdiction is recognized by Luxembourg private international and local law;
- the judgment is final and enforceable in the jurisdictions where the decision is rendered;
- the U.S. Court has applied the substantive law as designated by the Luxembourg conflict of laws rules. Based on recent case law and legal doctrine, it is not certain that this condition would still be required for an *exequatur* to be granted by a Luxembourg court;;
- the U.S. Court has acted in accordance with its own procedural laws;
- the judgment was granted following proceedings where the counterparty had the opportunity to appear, and if appeared, to present a defense;
- the decision of the U.S. Court must not have been obtained by fraud; and
- the decisions and the considerations of the foreign court must not be contrary to Luxembourg international public policy rules or rendered subsequent to an evasion of Luxembourg law (*fraude à la loi*), or given in proceedings of a tax, penal or criminal nature (which would include awards of damages made under civil liabilities provisions of the United States federal securities laws, or other laws, to the extent that the same would be classified by the Luxembourg courts as being of a penal or punitive nature (for example, fines or punitive damages)). Ordinarily, an award of monetary damages would not be considered to be a penalty, but if the monetary damages include punitive damages, such punitive damages may be considered to be a penalty).

The Issuers have been also advised by Allen & Overy *société en commandite simple* that if an original action is brought in Luxembourg, without prejudice to specific conflict of law rules, Luxembourg courts may refuse to apply the designated law if the choice of the foreign law was not made bona fide or if the foreign law was not pleaded and proved or if pleaded and proved, the foreign law was contrary to Luxembourg mandatory provisions (*lois impératives*) or incompatible with Luxembourg public policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought.

In practice, Luxembourg courts now tend not to review the merits of a foreign judgment, although there is no clear statutory prohibition of such review.

South Africa

General

Some of the HX Guarantors are incorporated under the laws of South Africa (the "South African Guarantors"). Some or all of the directors and executive officers of the South African Guarantors reside in South Africa. All or substantially all of the assets of these persons and substantially all of those South African Guarantors' assets are located in South Africa. As a result, it may not be possible for the Security Agent to enforce against any of them judgments obtained in U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States. In addition, there is doubt as to the enforceability in South Africa, in original actions or actions for the enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

Choice of law

In any proceedings for the enforcement of the obligations of any South African party, the South African courts will generally give effect to the choice of foreign law as contemplated in the relevant security documents as the governing law thereof.

Jurisdiction

Subject as set out below, any party's (i) irrevocable submission under an agreement to the jurisdiction of a foreign court; and (ii) agreement not to claim any immunity to which it or its assets may be entitled, is generally legal, valid, binding and enforceable under the laws of South Africa, and any judgment obtained in the foreign jurisdiction will be recognized and be enforceable by the courts of South Africa without the need for re examination of the merits. The appointment by any party of an agent in the foreign court to accept service of process in respect of the jurisdiction of the foreign courts is generally valid and binding on that party.

Under South African law, a court will not accept a complete ouster of jurisdiction, although generally it recognizes party autonomy and gives effect to choice of law provisions. However, jurisdiction remains within the discretion of the court and a court may, in certain instances, assume jurisdiction provided there are sufficient jurisdictional connecting factors. South African courts may, in rare instances, choose not to give effect to a choice of jurisdiction clause, if, for example, such choice is contrary to public policy. Proceedings before a court of South Africa may be stayed if the subject of the proceedings is concurrently before any other court.

Recognition of foreign judgments

Subject to obtaining the permission of the South African Minister of Trade and Industry under the Protection of Businesses Act, 1978 of South Africa (the "PB Act"), an authenticated judgment obtained in a competent court of jurisdiction other than South Africa will be recognized and enforced by ordinary action in accordance with procedures ordinarily applicable under South African law for the enforcement of foreign judgments; provided, that the judgment was pronounced by a proper court of law, was final and conclusive (in the case of a judgment for money, on the face of it), has not become stale, and has not been obtained by fraud or in any manner opposed to natural justice or contrary to the international principles of due process and procedural fairness, the enforcement thereof is not contrary to South African public policy and the foreign court in question had jurisdiction and competence according to the applicable rules on conflict of laws. A foreign judgment will probably not be recognized in South Africa if the foreign court exercised jurisdiction over the defendant solely by virtue of an attachment to found jurisdiction or on the basis of domicile alone. South African courts will not enforce foreign revenue or penal laws and South African courts have, as a matter of public policy, generally not enforced awards for multiple or punitive damages. Permission from the Minister of Trade and Industry will similarly not be granted if it would result in the recovery of excessive damages.

Where obligations are to be performed in a jurisdiction outside South Africa they may not be enforceable under the laws of South Africa to the extent that such performance would be illegal or contrary to public policy under the laws of South Africa, or the foreign jurisdiction or to the extent that the law precludes South African courts from granting extra territorial orders.

Under the Recognition and Enforcement of Foreign Arbitral Awards Act, 1977 of South Africa (the "Enforcement Act"), any foreign arbitral award may, subject to the provisions of sections 3 and 4 thereof, be made an order of court by any court. Any such award which has been made an order of court pursuant to the provisions of the Enforcement Act may be enforced in the same manner as any judgment or order to the same effect (subject to the provisions of the PB Act, which apply mutatis mutandis to foreign arbitral awards).

Effect of liquidation on civil proceedings

In general and subject to certain exceptions, civil proceedings (including arbitration proceedings) instituted by or against an insolvent are automatically stayed on the liquidation of the insolvent's estate until the appointment of a liquidator. A plaintiff wishing to continue with such proceedings against the insolvent must give notice to the liquidator of its intention to do so within a period of three weeks from the date of the first meeting of creditors, in accordance with the provisions of the SA Insolvency Act, failing which, the proceedings lapse. In circumstances where the court finds that there was a reasonable excuse for a failure to give the requisite notice, it has a discretion to allow a plaintiff to continue with proceedings on such conditions as it thinks fit. Execution against the insolvent's assets is similarly stayed.

Fraudulent conveyance statutes under South African law may limit the rights of holders of the notes to enforce the guarantees and security provided by certain Guarantors who are incorporated under the laws of South Africa (the "South African Guarantors")

The Issuer's obligations under the Senior Secured Notes are guaranteed by the "South African Guarantors" and the Notes Guarantees is subject to review under the "impeachable transactions" provisions of the laws of South Africa.

In an insolvency proceeding, it is possible that creditors of the South African Guarantors may challenge these guarantees and intercompany obligations as impeachable transactions. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of the South African Guarantors' obligations under the Notes Guarantees;
- direct that holders of the Senior Secured Notes return any amounts paid under the Notes Guarantees to the South African Guarantors or to a fund for the benefit of their creditors; or
- take other action that is detrimental to the holders of the Senior Secured Notes.

If the Issuer is unable to satisfy its obligations under the Senior Secured Notes and the Notes Guarantees are found to represent an impeachable transaction, the Issuer may not be able to repay in full any amounts outstanding under the Senior Secured Notes. In addition, the liability of the South African Guarantors under the Notes Guarantees will be limited to the amount that will result in those guarantees not constituting an impeachable transaction and it is uncertain what standard a court will apply in making a determination of the maximum liability of the South African Guarantors under their guarantees of the Senior Secured Notes. For a description of certain impeachable transactions, see "*Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*."

The Netherlands

In the absence of an applicable treaty between the United States and the Netherlands, a judgment obtained against a subsidiary Guarantor in a U.S. Court will not be directly enforced in the Netherlands. In order to obtain a judgment which is enforceable in the Netherlands, the claim must be re-litigated before a competent court of the Netherlands. The relevant Netherlands court has discretion to attach such weight to a judgment of a U.S. Court as it deems appropriate. Based on case law, the courts of the Netherlands may be expected to recognize the binding effect of a final, conclusive and enforceable money judgment of a court of competent jurisdiction in the U.S. without re-examination or re-litigation of the substantive matters adjudicated thereby, provided that (i) the relevant U.S. Court had jurisdiction in the matter in accordance with standards which are generally accepted internationally, (ii) the proceedings before such court complied with principles of proper procedure and (iii) such judgment does not conflict with the public policy of the Netherlands.

According to Dutch law, a legal or natural person is upon certain conditions entitled to elect a domicile which is different from its physical or real domicile. However, our Dutch counsel is not aware of any statutory or case law confirming that the principle referred to in the foregoing sentence also includes the ability to validly elect a domicile outside the Netherlands for service of process purposes. Therefore, our Dutch counsel recommends that, in the event of initiating legal proceedings against a party domiciled or residing in the Netherlands, service of process is also effected upon it at its domicile or residence in the Netherlands.

Poland

Recognition and enforcement of judgments in civil matters of foreign courts is subject to:

- the Council Regulation (EC) No. 44/2001 dated 22 December 2000 on jurisdiction, recognition and enforcement of judgments in civil and commercial matters;
- the 2007 Lugano Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters;
- other relevant treaties or conventions, including relevant bilateral treaties; and
- the rules of the Polish Code of Civil Procedure dated 17 November 1964 (the "Polish Code of Civil Procedure").

There is no treaty between the United States and Poland providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) rendered in civil and commercial matters. Therefore, the rules of the Polish Code of Civil Procedure shall apply to recognition and enforcement of U.S. court judgments.

Pursuant to the Polish Code of Civil Procedure, a foreign court judgment is recognized *ex lege* in Poland, unless one of the following circumstances occurs:

- the judgment is not final in the jurisdiction in which it was issued;
- the judgment was issued in a case which belongs to the exclusive jurisdiction of the Polish courts;
- the defendant, who did not engage in the dispute on the matter, was not provided with summons initiating the proceedings, in due manner and time, to allow such defendant to take defense;
- a party has been deprived of the opportunity to defend itself in the proceedings;
- the proceeding relating to the same claim and between the same parties commenced in Poland (before a court or other relevant agency) prior to the commencement of the proceeding before a court of the foreign country;
- the judgment is contrary to any earlier final judgment of a Polish court (or other relevant agency) or any earlier final judgment of a foreign court (or other relevant agency) satisfying the conditions for its recognition in Poland, which was issued regarding the same claim between the same parties; and
- the recognition of the judgment would be contrary to the fundamental principles of the legal order of the Republic of Poland.

Any person who has the so-called legal interest may apply to Polish court with a motion for a decision ascertaining that the judgment of a foreign court is or is not recognized in Poland.

The judgment of a foreign court, which is eligible to be enforced, can be enforced in Poland after its enforceability is confirmed by the Polish court. Polish court will confirm the enforceability if:

- the judgment of a foreign court is enforceable in the jurisdiction in which it was issued; and
- none of the circumstances referred to above (relating to the recognition of the judgments) occurs.

Certain judgments of U.S. courts (or parts thereof) may not be recognized as enforceable by Polish courts, or they may prove to be unenforceable in practice despite having been recognized as enforceable, in particular: (i) certain forms of specific performance might not be common in Poland, (ii) certain forms (or amounts) of damages or indemnities, in particular, punitive damages or other similar damages or indemnities might be found too excessive. Judgments (or parts thereof) adjudicating such forms of specific performance or damages or indemnities may be considered as contrary to the fundamental principles of the legal order of the Republic of Poland.

Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation, moratorium as well as other similar laws affecting creditors' rights generally.

England

There is currently no treaty between the United States and England providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters (although the U.S. and the United Kingdom are both parties to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards). Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such U.S. judgment in England and Wales, proceedings must first be initiated in England by way of civil law action on the judgment debt before a court of competent jurisdiction in England and Wales ("English court"). In such an action to enforce the judgment debt, the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court and it would usually be possible to obtain summary judgment on such a claim provided that:

- the U.S. court was of competent jurisdiction;
- it was a final and conclusive U.S. judgment on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money;
- the U.S. judgment was not for a sum payable in respect of taxes, or other charges of a like nature or in respect of a penalty or fine or otherwise based on a U.S. law that an English court considers to relate to penal or revenue law;
- the U.S. judgment does not contravene public policy or statute in England and Wales;
- the U.S. judgment has not been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained, is otherwise specified in Section 5 of the Protection of Trading Interests Act 1980 or is based on measures designated by the Secretary of State under Section 1 of the Act;
- the U.S. judgment has not been obtained by fraud or in breach of English principles of natural or substantial justice;
- the U.S. judgment is not a judgment on a matter previously determined by an English court or another court whose judgment is entitled to recognition in England or conflicts with an earlier judgment of such court;
- the English enforcement proceedings were commenced within the relevant limitation period; and
- the U.S. judgment was not obtained contrary to an agreement for the settlement of disputes under which the dispute in question was to be settled otherwise than by proceedings in a United States court (to whose jurisdiction the judgment debtor did not submit).

There is doubt as to the enforceability in England of U.S. judgments in respect of civil judgments predicated purely on U.S. Securities law. Subject to the foregoing investors may be able to enforce in England judgments that have been obtained from U.S. federal or state courts. Notwithstanding this, we cannot assure you that those judgments will be recognized or enforceable in England.

Further an English court is unlikely to accept jurisdiction if the original action (an action based on U.S. securities law violations) was commenced in England, instead of the United States and, even if it did, it is unlikely to impose civil liability where there claim is predicated solely upon U.S. federal securities laws.

If an English court gives judgment for the sum payable under a U.S. judgment, the English judgment will be enforceable by methods generally available for this purpose. These methods generally permit the court discretion to prescribe the manner of enforcement. It may not be possible to obtain an English judgment or to enforce that judgment if the judgment debtor is subject to any insolvency or similar proceedings, or if the judgment debtor has any set off or counterclaim against the judgment creditor.

Singapore

There is no statutory regime in Singapore which provides for the reciprocal enforcement by registration in Singapore of a judgment of the courts of the State of New York. As such, a common law action has to be commenced in the Singapore courts to enforce, in Singapore, a State of New York judgment in respect of any legal suit or proceedings arising out of or relating to the guarantee. A final and conclusive judgment properly obtained against the Singapore subsidiary guarantor in the competent courts of the State of New York for a fixed sum of money in respect of any legal suit or proceedings arising out of or relating to the guarantee and which can be enforced by execution against the Singapore subsidiary guarantor in the jurisdiction of the relevant court and has not been stayed or satisfied in whole, may be sued on in Singapore as a debt due from the Singapore subsidiary guarantor if:

- the relevant court had jurisdiction over the Singapore subsidiary guarantor in that the Singapore subsidiary guarantor was, at the time such procedure was initiated, resident in the jurisdiction in which such proceeding had commenced or had submitted to the jurisdiction of the relevant court;
- that judgment has not been obtained by fraud;
- the enforcement of that judgment would not be contrary to public policy in Singapore;
- that judgment has not been obtained in contravention of the principles of natural justice; and
- that judgment of the relevant court does not include the payment of taxes, a fine or penalty.

Since a common law action on a foreign judgment is an action on an implied debt, it is subject to the limitation period of six years in section 6(1)(a) of the Limitation Act of Singapore.

Singapore does not currently have any arrangement with the United States for reciprocal recognition and enforcement of judgments. Any judgment obtained in the United States would therefore have to be enforced by action at common law in Singapore by bringing a new suit.

Generally, the following requirements must be satisfied:

(i) the judgment is on a matter of substance which is final and conclusive under the laws of New York and the United States;

(ii) the relevant Federal or State court in the United States has international jurisdiction (as defined by Singapore law); and

(iii) the judgment must be for a fixed and ascertainable sum of money.

In relation to (i), the United States judgment must be final and conclusive in that there must be a final determination of rights between the parties. A judgment is not final and conclusive (a) if it is liable to be abrogated or varied by the court which pronounced it or (b) if there is another body, not being the appellate or supervisory body that can override the decision of the said court.

With regards to (ii), this would be satisfied if that party was present, or resident in the United States at the time of commencement of the foreign proceedings, or if that party had submitted or had agreed to submit to the jurisdiction of the United States courts.

In respect of (iii), a judgment must be for the payment of a fixed and ascertainable sum of money, that is, the judgment sum can be derived by simple arithmetical calculation, as opposed to a judgment ordering specific relief such as specific performance or an injunction.

The Singapore courts will however not enforce the judgment if the defendant establishes any of the following defenses:

(a) it was procured by fraud;

(b) its enforcement would be contrary to public policy in Singapore;

(c) its enforcement would conflict with an earlier judgment in Singapore or an earlier foreign judgment recognized under the Singapore courts;

(d) the proceedings in which it was obtained were contrary to natural justice; or

(e) if enforcing the foreign judgment will amount to the direct or indirect enforcement of a foreign penal, revenue or other public law.

LEGAL MATTERS

Certain legal matters in connection with the offerings will be passed upon for us by Allen & Overy LLP as to matters of U.S. federal and New York state, English, German, Belgian, Hungarian, Luxembourg, Dutch, French, Italian, Czech, Singaporean and Polish law, Eisenberger & Herzog as to matters of Austrian law, Burr & Forman LLP as to matters of Alabama law and Werksmans Attorneys as to matters of South African law. Certain legal matters in connection with the offering will be passed upon for the Initial Purchasers by Cravath, Swaine & Moore LLP as to matters of U.S. federal and New York state law, Latham & Watkins LLP as to matters of English, German, French, Italian and Singaporean law, NautaDutilh as to matters of Luxembourg, Dutch and Belgian law, Wolf Theiss Rechtsanwälte GmbH & Co. KG as to matters of Austrian and Czech law, Schoenherr as to matters of Hungarian law, Edward Nathan Sonnenbergs Inc. as to matters of South African law, Bradley Arant Boult Cummings LLP as to matters of Alabama law and Norton Rose Fulbright as to matters of Polish law.

INDEPENDENT AUDITORS

The combined financial statements of the HX Group as of and for the financial years ended December 31, 2011, 2012 and 2013 included in this offering memorandum have been audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, Tersteegenstraße 19-31, 40474 Düsseldorf, Germany, as stated in their reports appearing herein.

The opening balance sheet of each of the Issuers has been audited by KPMG Luxembourg S.à r.l., which is a member of the Luxembourg Institute of Auditors (*Institut des réviseurs d'entreprises*) and has been appointed as statutory auditor of each of the Issuers within the meaning of the Luxembourg act dated December 18, 2009 on statutory audit, as amended.

WHERE YOU CAN FIND OTHER INFORMATION

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

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes are "restricted securities" within the meaning of the Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) under the U.S. Exchange Act, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act.

Pursuant to the Indentures governing the Notes and so long as the Notes are outstanding, we will furnish periodic information to holders of the Notes. See "*Description of the Senior Secured Notes—Certain Covenants—Reports*" and "*Description of the Senior Notes—Certain Covenants—Reports*."

For so long as the Notes are listed on the Official List of the LxSE and admitted for trading on the Euro MTF Market and the rules of that exchange so require, copies of the Issuers' organizational documents and the Indentures relating to the Notes and our most recent consolidated financial statements published by us may be inspected and obtained at the office of the listing agent at Deutsche Bank Luxembourg S.A., 2, boulevard Konrad Adenauer, L-1115 Luxembourg, Grand Duchy of Luxembourg. See "*Listing and General Information*."

LISTING AND GENERAL INFORMATION

Listing

Application has been made for the Notes to be admitted to listing on the Official List of the LxSE and to trading on the Euro MTF Market, in accordance with the rules of that exchange. Our certified organizational documents will be deposited at the registered office of the Issuers, both located at 26-28, rue Edward Steichen, L-2540 Luxembourg (the "registered office of the Issuers"), where such documents may be examined and copies obtained. They may be inspected free of charge by any interested person at the registered office of the Issuer.

For so long as the Notes are admitted to trading on the Euro MTF Market and listed on the Official List of the LxSE and the rules of that exchange require, copies of the following documents may be inspected and obtained free of charge at the registered office of the Issuers during normal business hours on any weekday:

- the Issuers' organizational documents;
- the most recent audited consolidated financial statements and any interim consolidated financial statements published by the Senior Notes Issuer;
- the Issuers' opening balance sheets;
- the combined financial statements of the HX Group as of and for the financial years ended December 31, 2011, 2012 and 2013;
- the most recent financial statements of each of the Issuers;
- the documents granting security interests to holders of the Notes as described in this offering memorandum;
- this final offering memorandum;
- the Indentures relating to the Notes (which include the forms of the Notes); and
- the Intercreditor Agreement.

Application may be made to the LxSE to have the Notes removed from listing on the Official List of the LxSE, including if necessary to avoid any new withholding taxes in connection with the listing.

So long as the Notes are listed on the Official List of the LxSE, the Notes will be freely transferable and negotiable in accordance with the rules of the LxSE.

Clearing Information

The Senior Secured Floating Rate Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream under common codes 107141154 and 107218548, respectively. The international securities identification number (the "ISIN Number") for the Senior Secured Floating Rate Notes sold pursuant to Regulation S is XS1071411547 and the ISIN Number for the Senior Secured Floating Rate Notes sold pursuant to Rule 144A is XS1072185488.

The Senior Secured Fixed Rate Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream under common codes 107141952 and 107219480, respectively. The international securities identification number (the "ISIN Number") for the Senior Secured Fixed Rate Notes sold pursuant to Regulation S is XS1071419524 and the ISIN Number for the Senior Secured Fixed Rate Notes sold pursuant to Rule 144A is XS1072194803.

The Senior Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream under common codes 107142002 and 107220020, respectively. The international securities identification number (the "ISIN Number") for the Senior Notes sold pursuant to Regulation S is XS1071420027 and the ISIN Number for the Senior Notes sold pursuant to Rule 144A is XS1072200204.

General Information

The Paying Agent is Deutsche Bank AG, London Branch, and its address is Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.

The name of the Luxembourg Listing Agent is Deutsche Bank Luxembourg S.A., and its address is 2, boulevard Konrad Adenauer, L-1115 Luxembourg, Grand Duchy of Luxembourg.

The Senior Secured Notes Trustee and the Senior Notes Trustee is Deutsche Trustee Company Limited, and its address is Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom. The Trustee will be acting in its capacity as trustee for the holders of the Senior Secured Notes and the Senior Notes. The Trustee will provide such services to the holders of the Notes as described in the Indentures. Any change of the appointment of the trustee will be published in one newspaper of general circulation (which is expected to be the *Luxemburger Wort*) or published on the LxSE's website (*www.bourse.lu*).

The Issuers

Senior Notes Issuer

The Senior Notes Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 26-28, rue Edward Steichen, L-2540 Luxembourg, being registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés Luxembourg*) under number B 186 312 and having a share capital of €31,000. The directors of Galapagos Holding S.A. are Thomas Sonnenberg, Michiel Kramer, Mats Eklund and Heiko Dimmerling. The Senior Notes Issuer (previously Galapagos CleanCo S.à r.l.) has been converted into a public limited liability company (*société anonyme*) pursuant to an extraordinary shareholders' meeting of May 12, 2014 (the "EGM"). According to its articles of incorporation dated April 4, 2014, as amended, its corporate objects read as follows:

" *The object of the Company is the acquisition, holding (including the administration, management and development) and disposal of securities or interests in Luxembourg and/or in foreign companies and undertakings in its own name and own account.*

The Company may provide financing in any other kind or form or grant guarantees or security in any kind or form, in favor of the companies and undertakings forming part of the group of which the Company is a member.

The Company may borrow in any kind or form without limitation and privately issue bonds, notes or any other debt instruments as well as warrants or other share subscription rights.

The Company may also invest in real estate and any other movable or immovable assets in any kind or form.

In a general fashion, the Company may carry out any commercial, industrial, real estate or financial operation, which it may deem useful in the accomplishment and development of its object.

The Company shall not be acting as an alternative investment fund as defined in the directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and shall not carry out any other activity which would be subject to supervision by the Commission de Surveillance du Secteur Financier. In particular, the Company will not (directly or indirectly) actively market its shares or other securities to investors."

The Senior Notes Issuer has an authorized share capital of €10,000,000 divided into one billion (1,000,000,000) shares. This authorization is valid during a period of 5 years after the date of publication of the minutes of the EGM.

Opening Balance Sheet

The following table shows the opening balance sheet of the Senior Notes Issuer:

(in €)	**Opening balance sheet as of April 4, 2014**
Assets	
Subscribed capital unpaid	**—**
Formation expenses	**933.70**
Fixed assets	**31,000.00**
Financial assets	31,000.00
Current assets	**12,500.00**
Cash at bank and in hand	12,500.00
Prepayments	**—**
Total assets	**44,433.70**
Liabilities	
Capital and reserves	**12,500.00**
Subscribed capital	12,500.00
Subordinated creditors	**—**
Provisions	**—**
Non subordinated debts	**31,933.70**
Becoming due and payable after less than one year	933.70
Becoming due and payable after more than one year	31,000.00
Deferred income	**—**
Total liabilities	**44,433.70**

Senior Secured Notes Issuer

The Senior Secured Notes Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 26-28, rue Edward Steichen, L-2540 Luxembourg, being registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés Luxembourg*) under number B 186 314 and having a share capital of €31,000. The directors of Galapagos S.A. are Michiel Kramer, Thomas Sonnenberg, Antonis Tzanetis and Mats Eklund. According to its articles of incorporation dated April 4, 2014 its corporate objects read as follows:

" *The object of the Company is the acquisition, holding (including the administration, management and development) and disposal of securities or interests in Luxembourg and/or in foreign companies and undertakings in its own name and own account.*

The Company may provide financing in any other kind or form or grant guarantees or security in any kind or form, in favor of the companies and undertakings forming part of the group of which the Company is a member.

The Company may borrow in any kind or form without limitation and issue bonds, notes or any other debt instruments as well as warrants or other share subscription rights.

In a general fashion, the Company may carry out any commercial, industrial or financial operation, which it may deem useful in the accomplishment and development of its object.

The Company shall not be acting as an alternative investment fund as defined in the directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and shall not carry out any other activity which would be subject to supervision by the Commission de Surveillance du Secteur Financier. In particular, the Company will not (directly or indirectly) actively market its shares or other securities to investors."

The Senior Secured Notes Issuer has an authorized share capital of €10,000,000 divided into one billion (1,000,000,000) shares. This authorization is valid during a period ending 5 years after the date of publication of the deed of incorporation of the Senior Secured Notes Issuer in the *Mémorial C*.

Opening Balance Sheet

The following table shows the opening balance sheet of the Senior Secured Notes Issuer:

(in €)	**Opening balance sheet as of April 4, 2014**
Assets	
Subscribed capital unpaid	**—**
Formation expenses	**1,096.82**
Fixed assets	**12,500.00**
Financial assets	12,500.00
Current assets	**31,000.00**
Cash at bank and in hand	31,000.00
Prepayments	**—**
Total assets	**44,596.82**
Liabilities	
Capital and reserves	**31,000.00**
Subscribed capital	31,000.00
Subordinated creditors	**—**
Provisions	**—**
Non subordinated debts	**13,596.82**
Becoming due and payable after less than one year	1,096.82
Becoming due and payable after more than one year	12,500.00
Deferred income	**—**
Total liabilities	**44,596.82**

Legal Information

The creation and issuance of the Senior Secured Notes has been authorized by a resolution of the Senior Secured Notes Issuer's board of directors dated May 16, 2014. The creation and issuance of the Senior Notes has been authorized by a resolution of the Senior Notes Issuer's board of directors dated May 16, 2014.

Except as disclosed in this offering memorandum:

- there has been no material adverse change in the Group's financial position/financial or trading condition of the Issuers or any of the Guarantors and no material change in the capitalization of the Issuer or any of the Guarantors since March 31, 2014 or, as applicable, their date of incorporation; and

- neither the Issuers nor the Group have been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the offering of the Notes, and, so far as either the Issuer or the Group is aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

Galapagos Guarantors

Blitz F14-206 GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany. It is registered with the commercial register of the local court of Frankfurt am Main under the number HRB 98802. The registered office of Blitz F14-206 GmbH is Schillerstraße 20, 60313 Frankfurt am Main, Germany. Blitz F14-206 GmbH has a share capital of €25,000. The managing directors of Blitz F14-206 GmbH are Roland Oelschläger and Oliver Stork. According to section 2.c of its articles of association, its corporate purpose is the management of owned assets.

Galapagos BidCo S.à r.l. is a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 26-28, rue Edward Steichen, L-2540 Luxembourg, being registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés Luxembourg*) under number B 186 318 and having a share capital of €12,500. The managers of Galapagos BidCo S.à r.l. are Lars Frankfelt (category A), Michiel Kramer (category B) and Heiko Dimmerling (category B). According to its articles of incorporation dated April 4, 2014 its corporate objects read as follows:

"*The object of the Company is the acquisition, holding (including the administration, management and development) and disposal of securities or interests in Luxembourg and/or in foreign companies and undertakings in its own name and own account.*

The Company may provide financing in any other kind or form or grant guarantees or security in any kind or form, in favor of the companies and undertakings forming part of the group of which the Company is a member.

The Company may borrow in any kind or form without limitation and privately issue bonds, notes or any other debt instruments as well as warrants or other share subscription rights.

The Company may also invest in real estate and any other movable or immovable assets in any kind or form.

In a general fashion, the Company may carry out any commercial, industrial, real estate or financial operation, which it may deem useful in the accomplishment and development of its object.

The Company shall not be acting as an alternative investment fund as defined in the directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and shall not carry out any other activity which would be subject to supervision by the Commission de Surveillance du Secteur Financier. In particular, the Company will not (directly or indirectly) actively market its shares or other securities to investors."

HX Guarantors

The following is a description of the HX Guarantors who are anticipated to become Guarantors not more than 90 days (or 45 days in the case of Guarantors incorporated in Germany) following the completion of the Acquisition.

Germany

GEA Energietechnik GmbH is a limited liability (*Gesellschaft mit beschränkter Haftung*) company organized under the laws of Germany. It is registered with the commercial register of the local court of Bochum under the number HRB 3716. The registered office of GEA Energietechnik GmbH is Dorstener Straße 484, 44809 Bochum, Germany. GEA Energietechnik GmbH has a share capital of €5,421,000. The managing director of GEA Energietechnik GmbH is Franz-Josef Hintzen and Gábor Havas. According to section 2.c of its articles of association, its corporate purpose is, among others, the development, manufacture and distribution of cooling systems as well as heat exchangers, pipe cleaning systems and cooling water filters in addition to any machines and facilities and other working utilities required.

GEA Industriebeteiligungen GmbH is a limited liability company organized under the laws of Germany. It is registered with the commercial register of the local court of Bochum under the number HRB 938. The registered office of GEA Industriebeteiligungen GmbH is Dorstener Straße 484, 44809 Bochum, Germany. GEA Industriebeteiligungen GmbH has a share capital of €436,000. The managing directors of GEA Industriebeteiligungen GmbH are Michael Andersen and Dr. Christoph Hirschmann. According to section 2.c of its articles of association, its corporate purpose is the purchase, management and financing of industry-related and other stakes as well as financial assets and other transactions of any kind.

GEA Renzmann & Grünewald GmbH is a limited liability company organized under the laws of Germany. It is registered with the commercial register of the local court of Bad Kreuznach under the number HRB 2588. The registered office of GEA Renzmann & Grünewald GmbH is Industriestraße 6, 55569 Monzingen, Germany. GEA Renzmann & Grünewald GmbH has a share capital of €513,000. The managing director of GEA Renzmann & Grünewald GmbH is Marwin Christ. According to section 2.c of its articles of association, its corporate purpose is the research, development, project planning, construction, manufacture and distribution of heat exchangers of any kind as well as other machines and facilities.

GEA Ecoflex GmbH is a limited liability company organized under the laws of Germany. It is registered with the commercial register of the local court of Hildesheim under the number HRB 2322. The registered office of GEA Ecoflex GmbH is Karl-Schiller-Straße 1-3, 31157 Sarstedt, Germany. GEA Ecoflex GmbH has a share capital of €513,000. The managing directors of GEA Ecoflex GmbH are Volker Brock and Klaus Peter Glöckner. According to section 2.1 of its articles of association, its corporate purpose is the development, manufacture and distribution of plate heat exchangers as well as any products related thereto, the manufacture of valves and the performance of technical services of any kind.

GEA Küba GmbH is a limited liability company organized under the laws of Germany. It is registered with the commercial register of the local court of Munich under the number HRB 93184. The registered office GEA Küba GmbH is Kühler Weg 1, 82065 Baierbrunn, Germany. GEA Küba GmbH has a share capital of €511,500. The managing directors of GEA Küba GmbH are Reinhard Johannes Kindler and Lutz Wolf. According to section 2.c of its articles of association, its corporate purpose is the development, manufacture and trade of refrigeration- and air condition-technical apparatus as well as their components, particularly, among others, high performance evaporators and capacitors, and the operation of any business that appears suitable to achieve the business purpose.

GEA Air Treatment Production GmbH is a limited liability company organized under the laws of Germany. It is registered with the commercial register of the local court of Leipzig under the number HRB 584. The registered office of GEA Air Treatment Production GmbH is Lüptitzer Straße 39, 04808 Wurzen, Germany. GEA Air Treatment Production GmbH has a share capital of €1,280,000. The managing director of GEA Air Treatment Production GmbH is Peter Kern. According to section 2.c of its articles of association, its corporate purpose is the development, construction, manufacture and distribution of heating- and ventilating systems, air condition- and filtration components, apparatus and facilities, both domestically and abroad.

GEA Luftkühler GmbH is a limited liability company organized under the laws of Germany. It is registered with the commercial register of the local court of Bochum under the number HRB 5552. The registered office of GEA Luftkühler GmbH is Dorstener Straße 484, 44809 Bochum, Germany. GEA Luftkühler GmbH has a share capital of €4,091,000. The managing director of GEA Luftkühler GmbH is Manuel Sanchez Bravo. According to section 2.c of its articles of association, its corporate purpose is, among others, the purchase, holding, management as well as the sale of real estate, interests and securities and the research, development, project planning, construction, manufacture and distribution of, among others, heat- and fin-tube exchangers.

GEA Maschinenkühltechnik GmbH is a limited liability company organized under the laws of Germany. It is registered with the commercial register of the local court of Bochum under the number HRB 5553. The registered office of GEA Maschinenkühltechnik GmbH is Südstraße 48, 44625 Herne, Germany. GEA Maschinenkühltechnik GmbH has a share capital of €2,610,000. The managing director of GEA Maschinenkühltechnik GmbH is Axel Berger. According to section 2.c of its articles of association, its corporate purpose is, among others, the purchase, holding, management as well as the sale of real estate, interests and securities and the research, development, project planning, construction, manufacture and distribution of, among others, heat- and fin-tube exchangers.

GEA Air Treatment GmbH is a limited liability company organized under the laws of Germany. It is registered with the commercial register of the local court of Bochum under the number HRB 9312. The registered office of GEA Air Treatment GmbH is Südstraße 48, 44625 Herne, Germany. GEA Air Treatment GmbH has a share capital of €64,751. The managing directors of GEA Air Treatment GmbH are Michael Andersen, Christoph Michel and Marinus Johannes Alphonsus van Rijsewijk. According to section 2.c of its articles of association, its corporate purpose is, among others, the research, development, project planning, construction, distribution, manufacture, installation, start up, maintenance and repair of ventilation, air conditioning, heat- and refrigerating and control-specific technology products and the operation of any business that appears suitable to achieve the business purpose.

GEA WTT GmbH is a limited liability company organized under the laws of Germany. It is registered with the commercial register of the local court of Jena under the number HRB 202818. The registered office of GEA WTT GmbH is Remsaer Straße 2a, 04603 Nobitz, Germany. GEA WTT GmbH has a share capital of €150,000. The managing director of GEA WTT GmbH is Andreas Dunkel. According to section 2.c of its articles of association, its corporate purpose is the development, manufacture and distribution of heat exchangers as well as any products related thereto and technical service delivery.

GEA 2H Water Technologies GmbH is a limited liability company organized under the laws of Germany. It is registered with the commercial register of the local court of Steinfurt under the number HRB 1199. The registered office of GEA 2H Water Technologies GmbH is Dieselweg 5, 48493 Wettringen, Germany. GEA 2H Water Technologies GmbH has a share capital of €511,300. The managing director of GEA 2H Water Technologies GmbH is Mario Dienstbier. According to section 2.c of its articles of association, its corporate purpose is, among others, the production and trade with plastic articles of any kind for the substance and heat exchange as well as the rainwater storage, for agricultural applications of any kind and for water-based systems besides related products.

RSZ Rott Sarstedt Zerspannung GmbH is a limited liability company organized under the laws of Germany. It is registered with the commercial register of the local court of Hildesheim under the number HRB 3114. The registered office of RSZ Rott Sarstedt Zerspannung GmbH is Ludwig-Erhard-Ring 1, 31157 Sarstedt, Germany. RSZ Rott Sarstedt Zerspannung GmbH has a share capital of €700,000. The managing directors of RSZ Rott Sarstedt Zerspannung GmbH are Volker Brock and Herbert Rott. According to section 2.c of its articles of association, its corporate purpose is the production of series components in the turning milling area for metals as well as plastics and the laser of sheet metal parts.

HX Holding GmbH is a limited liability company organized under the laws of Germany. It is registered with the commercial register of the local court of Bochum under the number HRB 14670. The registered office of HX Holding GmbH is Dorstener Straße 484, 44809 Bochum, Germany. HX Holding GmbH has a share capital of €38,715. The managing directors of

HX Holding GmbH are Michael Andersen and Christoph Michel. According to section 2.c of its articles of association, its corporate purpose is, among others, the performance of management and other services of any kind for related companies whose business purpose is within the areas of the development, manufacture, distribution of and trade with heat exchangers, air filtration systems, plastic filling media as well as aeration and ventilation solutions and the performance of any other services related thereto within the areas of maintenance and aftermarket services.

GEA NEMA Wärmetauscher GmbH is a limited liability company organized under the laws of Germany. It is registered with the commercial register of the local court of Chemnitz under the number HRB 23964. The registered office of GEA NEMA Wärmetauscher GmbH is Friedensstraße 3b, 08491 Netzschkau, Germany. GEA NEMA Wärmetauscher GmbH has a share capital of €250,000. The managing director of GEA NEMA Wärmetauscher GmbH is Sven Krauße. According to section 2.1 of its articles of association, its corporate purpose is, among others, the production and sale of industrial heat exchangers and any products or investments related thereto.

Hungary

GEA EGI Energiagazdálkodási Zrt. is a private company limited by shares organized under the laws of Hungary. It is registered under number Cg.01-10-041888 in the companies registry maintained by the Budapest Metropolitan Court. The registered office of GEA EGI Energiagazdálkodási Zrt. is 1117 Budapest, Irínyi József u. 4-20. B. ép. GEA EGI Energiagazdálkodási Zrt's registered share capital is €2,534,000, as represented by 70,000 ordinary shares, each with a face value of €36,200. Its executive officers are Mr András László Balogh, Board member, Mr János Hangyál, Board member, Mr Tamás Lelkes, Board member, and Mr László Ludvig, Board member. GEA EGI Energiagazdálkodási Zrt's main corporate activities consist of engineering and technical advisory activities.

Poland

GEA Polska sp. z o. o. is a limited liability company organized under the laws of Poland. It is registered with the commercial register of the District Court of Wrocław Fabryczna in Wrocław, IX Commercial Division of the National Court Register under KRS number 45411. The registered office of GEA Polska sp. z o. o. is Świebodzice, ul. Sikorskiego 38, 58-160 Świebodzice, Poland. GEA Polska sp. z o. o. has a share capital of PLN 16,142,857.80. The sole director of GEA Polska sp. z o. o. is Edyta Rękas. According to section 3 of its excerpt from the National Court Register dated April 25, 2014, its corporate purpose is the manufacturing of tubes, pipes, hollow profiles and related fittings of steel.

"GEA Technika Cieplna" Sp. z o.o. is a limited liability company organized under the laws of Poland. It is registered with the commercial register of the District Court in Opole, VIII Commercial Division of the National Court Register under KRS number 23433. The registered office of GEA Technika Cieplna sp. z o.o. is Opole, ul. Oświęcimska 100 B, 45-641 Opole, Poland. GEA Technika Cieplna sp. z o.o. has a share capital of PLN 4,497,264.48. The members of management board of GEA Technika Cieplna sp. z o.o. are Monika Błażejewska-Grudniok and Rafał Koszembar. According to section 3 of its excerpt from the National Court Register dated April 25, 2014, its corporate purpose is the manufacturing of tubes, pipes, hollow profiles and related fittings of steel.

GEA Klimatyzacja Sp. z o.o. is a limited liability company organized under the laws of Poland. It is registered with the commercial register of the District Court of Wrocław Fabryczna in Wrocław, VI Commercial Division of the National Court Register under KRS number 22519. The registered office of GEA Klimatyzacja sp. z o.o. is Wrocław, ul. Fabryczna 10, 53-609 Wrocław, Poland. GEA Klimatyzacja sp. z o.o. has a share capital of PLN 60,000. The president of the management board of GEA Klimatyzacja sp. z o.o. is Christian Nobis. According to section 3 of its excerpt from the National Court Register dated April 25, 2014, its corporate purpose is performance of plumbing, heating, gas and air-conditioning installations.

GEA 2H Water Technologies Sp. z.o.o. is a limited liability company organized under the laws of Poland. It is registered with the commercial register of the District Court of Katowice-Wschód in Katowice, VIII Commercial Division of the National Court Register under KRS number 113250. The registered office of GEA 2H Water Technologies sp. z o.o. is Sosnowiec, ul. Majora Hubala Dobrzańskiego 150, 41-218 Sosnowiec, Poland. GEA 2H Water Technologies sp. z o.o. has a share capital of PLN 50,000. The sole member of the management board of GEA 2H Water Technologies sp. z o.o. is Robert Krzysztof Jagiełło. According to section 3 of its excerpt from the National Court Register dated May 14, 2014, its corporate purpose is manufacture of plastics in primary forms.

Austria

GEA Klimatechnik GmbH is a limited liability company organized under the laws of Austria. It is registered with the companies' register of the provincial court of Wels under the number FN 101883 d. The registered office of GEA Klimatechnik GmbH is Obeltshamerstrasse 12, 4673 Gespoltshofen, Austria. GEA Klimatechnik GmbH has a share capital of €42,000. The managing director of GEA Klimatechnik GmbH is Mr. August Watzinger. According to section 3 (*Drittens*) of its articles of association, its corporate purpose is the production and the sale of heating technical appliances (*wärmetechnische Apparate*), and it is also authorized to hold stakes in other companies and to represent and manage such companies.

The Netherlands

GEA Bloksma B.V. is a limited liability company organized under the laws of the Netherlands. It is registered with the commercial register of the Netherlands under the number 39032676. The registered office of GEA Bloksma B.V. is Draaibrugweg 15 1332AB Almere. GEA Bloksma B.V. has a share capital of €408,402.00. The managing director of GEA Bloksma B.V. is Wilhelmus Johannes Gerardus Ruizendaal. According to section 2(c) of its articles of association, its corporate purpose is among others the giving of guarantees for companies in the same group and third parties.

GEA EcoServe Nederland B.V. is a limited liability company organized under the laws of the Netherlands. It is registered with the commercial register of the Netherlands under the number 24273876. The registered office of GEA EcoServe Nederland B.V. is Craenakker 21, 5951CC Belfeld. GEA EcoServe Nederland B.V. has a share capital of €18,900.00. The managing director of GEA EcoServe Nederland B.V. is Ronald Peter de Lijster. According to section 2(b) of its articles of association, its corporate purpose is among others the giving of guarantees for companies in the same group and third parties.

GEA Goedhart Holding B.V. is a limited liability company organized under the laws of the Netherlands. It is registered with the commercial register of the Netherlands under the number 22022800. The registered office of GEA Goedhart Holding B.V. is Nijverheidsweg 6, 4695RC Sint-Maartensdijk. GEA Goedhart Holding B.V. has a share capital of €458,350.00. The managing director of GEA Goedhart Holding B.V. is Johannes Marinus Traas. According to section 2(b) of its articles of association, its corporate purpose is among others the giving of guarantees for companies in the same group and third parties.

GEA-Happel Nederland B.V. is a limited liability company organized under the laws of the Netherlands. It is registered with the commercial register of the Netherlands under the number 24175555. The registered office of GEA-Happel Nederland B.V. is Rivium Oostlaan 11, 2909LL Capelle aan den Ijssel. GEA-Happel Nederland B.V. has a share capital of €454,000.00. The managing directors of GEA-Happel Nederland B.V. Marinus Johannes Alphonsus van Rijsewijk and Antonius Hubertus Nicolaas Fens. According to section 2(c) of its articles of association, its corporate purpose is among others the giving of guarantees for companies in the same group and third parties.

GEA Polacel Cooling Towers B.V. is a limited liability company organized under the laws of the Netherlands. It is registered with the commercial register of the Netherlands under the number 09067358. The registered office of GEA Polacel Cooling Towers B.V. is Vlijtstraat 25, 7005BN Doetinchem. GEA Polacel Cooling Towers B.V. has a share capital of €18,000.00. The managing director of GEA Polacel Cooling Towers B.V. is Harm Albertus Wilhelmus Medz. According to section 2(f) of its articles of association, its corporate purpose is among others the giving of guarantees for companies in the same group and third parties.

GEA Goedhart B.V. is a limited liability company organized under the laws of the Netherlands. It is registered with the commercial register of the Netherlands under the number 22040766. The registered office of GEA Goedhart B.V. is Nijverheidsweg 6, 4695RC Sint-Maartensdijk. GEA Goedhart B.V. has a share capital of €7,142,900.00. The managing directors of GEA Towers B.V. are GEA Goedhart Holding B.V. and Johannes Marinus Traas. According to section 2(c) of its articles of association, its corporate purpose is among others the giving of guarantees for companies in the same group and third parties.

Belgium

GEA Happel Belgium NV is a limited liability company organized under the laws of Belgium. It is registered with the Crossroads Bank for Enterprises under number 0433.235.454. The registered office of GEA Happel Belgium N.V. is Dobbelenbergstraat 7, 1130 Haren, Belgium. GEA Happel Belgium N.V. has a share capital of €150,967.16. The directors of GEA Happel Belgium N.V. are Marinus J.A. van Rijsewijk, Guido Simons, Heinrich Kurtenbach and Jörg Hülsmann. According to article 3 of its articles of association, its corporate purpose is, among others, the performance of any activity which directly or indirectly relates to energy systems and techniques.

Dobbelenberg SA/NV is a limited liability company organized under the laws of Belgium. It is registered with the Crossroads Bank for Enterprises under number 0447.025.488. The registered office of Dobbelenberg SA/NV is Dobbelenbergstraat 7, 1130 Haren, Belgium. Dobbelenberg SA/NV has a share capital of €62,000. The directors of Dobbelenberg SA/NV are Guido Simons, Heinrich Kurtenbach and Jörg Hülsmann. According to article 3 of its articles of association, its corporate purpose is, among others, the acquisition, purchase and sale, building and renovating of both real estate and movable goods. The company may, among others, for its own account, parcel, manage, let and sublet real estate.

GEA EcoServe België BVBA is a private limited liability company organized under the laws of Belgium. It is registered with the Crossroads Bank for Enterprises under number 0866.005.805. The registered office of GEA EcoServe België BVBA is Lindestraat 19A3, 9240 Zele, Belgium. GEA EcoServe België BVBA has a share capital of €18,550. The manager of GEA EcoServe België BVBA is Peter van Parys. According to article 3 of its articles of association, its corporate purpose is, among others, the performance of wholesale in, and operation of a services center for parts of, and the cleaning and maintenance of heat exchangers.

United States

GEA Heat Exchangers, Inc. is a corporation organized under the laws of the State of Delaware. Its organizational identification number, as issued by the Secretary of State of the State of Delaware, is 2005273. The registered office of GEA Heat Exchangers, Inc. is 32 W. Loockerman Street, Suite 201, Dover, Delaware 19904, United States of America. GEA Heat

Exchangers, Inc. has an authorized share capital of 1,000 shares of common stock. The current directors of GEA Heat Exchangers, Inc. are Michael Andersen and Christine O'Connor. The current officers of GEA Heat Exchangers, Inc. are Michael Andersen, Christine O'Connor, Neil Swift, and Rodney B. Pratz. According to its certificate if incorporation (as amended), its corporate purpose is engage in any lawful activity for which corporations may be organized under the Delaware General Corporation Law.

GEA of Alabama, L.L.C. is a limited liability company organized under the laws of the State of Alabama. Its entity identification number, as issued by the Secretary of State of the State of Alabama, is 652-947. The registered office of GEA of Alabama, L.L.C. is c/o The Corporation Company, 2000 Interstate Park Drive, Suite 204, Montgomery, Alabama 36109, United States of America. The sole member of GEA of Alabama, L.L.C., as reflected in its articles of organization (as amended), is GEA Heat Exchangers, Inc. According to its articles of organization (as amended), its organizational purpose is to transact any business in the State of Alabama as permitted by the Alabama Limited Liability Company Act, including without limitation designing, manufacturing, selling, constructing and engineering industrial cooling systems.

United Kingdom

GEA Heat Exchangers Limited is a private, limited company organized under the laws of England, with registration number 4057753. The registered office of GEA Heat Exchangers Limited is Dolphin House, Moreton Business Park, Moreton on Lugg, Herefordshire HR4 8DS. GEA Heat Exchangers Limited has a share capital of GBP 30,712,041. The directors of GEA Heat Exchangers Limited are Mr David James Pritchard, Mr Richard James Saunders and Mr John Anthony Tandy.

Bliss and Co. Limited is a private, limited company organized under the laws of England, with registration number 4411335. The registered office of Bliss and Co. Limited is Dolphin House, Moreton Business Park, Moreton on Lugg, Herefordshire HR4 8DS. Bliss and Co. Limited has a share capital of GBP 128.14. The directors of Bliss and Co. Limited are Mr David James Pritchard and Mr Richard James Saunders.

GEA Searle Ltd is a private, limited company organized under the laws of England, with registration number 4411296. The registered office of GEA Searle Ltd is Dolphin House, Moreton Business Park, Moreton on Lugg, Herefordshire HR4 8DS. GEA Searle Ltd has a share capital of GBP 1. The directors of GEA Searle Ltd are Mr David James Pritchard and Mr Richard James Saunders.

Singapore

GEA Heat Exchangers Pte. Ltd. is a limited private company incorporated under the laws of Singapore with company registration number 199303590K. The registered office of GEA Heat Exchangers Pte. Ltd. is 7 Tuas Avenue 6 Singapore 639296. GEA Heat Exchangers Pte. Ltd. has a share capital of S$10832680. The directors of GEA Heat Exchangers Pte. Ltd. are Michael Andersen, Klaus Peter Gloeckner and Hansen Jorn Mik.

South Africa

GEA Aircooled Systems (Pty) Ltd. is a private company duly incorporated and registered in accordance with the laws of the Republic of South Africa, with registration number 1975/000303/07. The registered office of GEA Aircooled Systems Proprietary Limited is Aberdein Street, Roodekop, Germiston, 1401, 1429, South Africa. The current directors of GEA Aircooled Systems Proprietary Limited are Keith Napier Mackay Greenway, Salukazi Dakile-Hlongwane, Lambert Hendrik Petersen, Andre Alexis Dreyer, Albert Zapke and Marina Dumakude. According to its memorandum of incorporation, its corporate business is "Private Households, Exterritorial Organisations, Representatives of Foreign Governments and Other Activities Not Adequately Defined."

GEA Nilenca (Pty) Ltd. is a private company duly incorporated and registered in accordance with the laws of the Republic of South Africa, with registration number 2004/013359/07. The registered office of Gea Nilenca Proprietary Limited is Aberdeen Street, Roodekop, Germiston, 1400, South Africa. Gea Nilenca Proprietary Limited has an authorised share capital of 100 ordinary shares. The current directors of Gea Nilenca Proprietary Limited are Keith Napier Mackay Greenway, Salukazi Dakile Hlongwane, Lambert Hendrik Petersen, Daniel Johannes Nell and Marina Dumakude. According to its memorandum of incorporation, its corporate business is "Other Business Activities."

GEA Thermal Engineering is a private company duly incorporated and registered in accordance with the laws of the Republic of South Africa, with registration number 2008/027207/07. The registered office of Gea Thermal Engineering Investments Proprietary Limited is Aberdeen Street, Roodekop, Germiston, 1400, South Africa. Gea Thermal Engineering Investments Proprietary Limited has an authorised share capital of 1 ordinary share. The current directors of Gea Thermal Engineering Investments Proprietary Limited are Michael Andersen, Keith Napier Mackay Greenway, Lambert Hendrik Petersen and Christoph Michel. According to its memorandum of incorporation, its corporate business is "Financial Intermediation, except Insurance and Pension Funding."

General

The Issuers accept responsibility for the information contained in this offering memorandum. To the best of their knowledge, 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.

ANNEX – HX PRODUCT LINES

This Annex contains a description of the main product lines of our seven operational business units:

Shell & Tube

Shell & Tube's main product lines are described below:

Transformer Cooling Systems (TCS)

Transformer cooling systems are primarily used to cool large-scale transformers in power generation and transmission. We provide both air and water coolers that are critical to the process of cooling transformer oil, as overheating could ultimately result in destruction of the transformer. Heat exchangers account for only a minor cost of the multi-million dollar investments in large-scale transformers; however the quality, reliability and long-term durability of the heat exchangers are of high importance due to the high cost to replace a destroyed transformer. Our TCS heat exchangers are sold via a dedicated sales force and are targeted towards large-scale power transformer manufacturers. European utilities, in particular, demand high-quality water cooled heat exchangers due to their superior product characteristics and longevity. Our transformer oil pumps are used, for example, in transformers installed on German high-speed trains. Due to their lower production costs, compact transformer oil air cooler products are well-suited to serve also more price-sensitive customers in the growing Asian market.

Steam Power Systems

S&T's surface condensers are water-cooled shell & tube heat exchangers which are installed on the exhaust steam side of steam turbines primarily in thermal power stations, but also other industrial applications. A surface condenser is a water-cooled heat exchanger that converts exhaust steam from its gaseous state to a liquid state. We have historically offered heat exchangers for mid-sized turbines up to 60MW, but have recently developed a larger-scale steam condenser for turbines up to 200MW for applications such as solar thermal power plants serving the growing renewable power markets.

Machine Cooling Systems

Machine cooling systems are specialized heat exchanger solutions designed to be integrated into machine-specific installations. Our product line for machine cooling systems includes box coolers focused on engine cooling of mid-sized service vessels and other seawater applications with special corrosion protection requirements. The customers for these types of machine cooling systems include OEMs as well as operators of marine vessels. In addition, we produce compact high-performance oil coolers for various industrial applications, heaters for heavy fuel oil and custom built heat exchangers for unique machine cooling requirements.

Petrochemical Systems

Heat exchangers in oil refineries and petrochemical processes are required to withstand high-temperature and high-pressure environments, resulting in high demands for product quality and longevity. We focus on growing regional niche markets, such as in Brazil and Middle East/Africa. The products in this segment are used in both upstream and downstream petrochemical process applications. The products in this segment are made to order.

Plate Heat Exchangers

Plate Heat Exchangers' main product lines are described below:

Gasketed Plate Heat Exchangers

Gasketed plate heat exchangers contain plates that are bundled inside a steel frame and sealed by gaskets (mechanical seals that fill the space between two or more mating surfaces). These heat exchangers tend to have lower pressure and temperature ranges than other types within the plate heat exchanger segment and are typically customized to customer requirements. The temperature our gasketed plate heat exchangers can withstand ranges from -40°C to +180°C and the pressure resistance is up to 35 bar. Our products are installed in a large number of industries including, among others, breweries, dairy production and the marine industry.

Brazed Plate Heat Exchangers

PHE's brazed plate heat exchangers comprise an individually designed number of plates bonded to each other by a vacuum brazing process using copper or nickel. These are compact in design, easy to install and withstand high operating pressures of up to 50 bar and temperatures between -200°C and +500°C.

Welded Plate Heat Exchangers

In principle, fully-welded plate heat exchangers are the most sophisticated type of plate heat exchangers. Designed to withstand higher temperatures and pressures, they are the prime choice for demanding applications in process industries like the sugar, oil and gas, power and chemical industries, where both high performance and stability under heavy load are required. Our products in this segment are characterized by a high degree of customization, can operate between -50°C and +720°C and withstand pressures up to 100 bar. For example, these applications include the evaporation of thin sugar juice, crude oil sweetening or air and gas preheating for methanol, urea and ammonia units.

Air Treatment

Air Treatment's main product lines are described below:

Air Handling Units

Air handling units are used to supply and circulate air inside a building, or to extract stale air as part of a building's heating, ventilation and air conditioning system. These devices come in the form of modular or compact units. Modular units offer a selection of components and functions and can be adapted to satisfy requirements such as the change of air, temperature, humidity and cleanliness of air. Compact units are delivered ready for installation with an integrated control system. Essentially, an air handling unit system comprises a large insulated metal box that contains a fan, heating and/or cooling elements, filters, sound attenuators and dampers. In most cases, the unit is connected to an air distribution ductwork. Alternatively, the unit can be open to the space it serves. Our air handling units are aimed primarily towards non-residential end-markets such as commercial buildings, hospitals and airports due to the air handling units' efficient heat recovery system in large commercial spaces.

Close Control Units

Close control units are characterized by their accuracy in temperature and humidity control (referred to as precision air conditioning). Furthermore, these devices typically show high energy efficiency. Given these technical specifications, our close control units meet requirements of data centers and telecommunication installations, which require reliable operation and permanent availability of IT networks. Additional applications for our close control units are in laboratories, hospitals and chip and nano-technology production facilities. We believe that we have a strong market position in the United Kingdom through our "Denco" brand and intend to leverage this brand equity by entering other Western European and certain Asian markets.

Chillers

A chiller is a machine that removes heat from a liquid via a vapor-compression or absorption refrigeration cycle. A chiller can be combined in a hydraulic circuit together with Air Handling Units, Fan Coil Units, Chilled Beams and/or other hydraulic terminal units. We do not produce our own chillers and instead source our chillers from selected suppliers and resell them under the brand name GEA. We buy and sell third-party chillers in Europe (incl. EU-28, EFTA, CIS), Middle East and Africa.

Decentral Units

A decentral unit is a decentrally controlled device (*i.e.*, a device that is not connected to a central duct system) that provides specialized air treatment solutions to individual rooms or objects. Our products in this segment include fan coil units (a device consisting of a heating or cooling coil and fan, controlled either by a manual on/off switch or by thermostat), unit heaters, combined unit heaters and cooling units, door and gateway air curtains and roof mounted extract fans.

Filter

We offer more than 2,000 different standard and special filters for application in commercial, industrial and residential areas. These include environment-, workplace- and machine-protection filters, oil- and emulsion-mist separation and particle filtration. Moreover, we manufacture air intake filter systems for gas turbines, compressors and motors. Our products are capable of filtering solid particulates like dust or soot as well as pollen, bacteria or other organic compounds.

AFC-Compact Systems

AFC-Compact Systems' main product lines are described below:

Charge Air Coolers

Charge air coolers are used to cool the compressed charge of air from a turbo charger before it enters the combustion chamber of an engine. The charge air cooler thus returns the air to a lower temperature for the optimum power for the combustion process within the engine. If this process fails or does not occur, the engine will operate less efficiently or may not operate at all. Charge air coolers range in size depending on the engine. The product portfolio within charge air coolers provides customers with a range of coolers used in large two and four stroke diesel and gas engines with a power output of more than 200KW. The main end markets comprise the power industry, where our products are used in engines designed for marine and off-road use, as well as in large stationary engines.

Closed Circuit Coolers

Used to cool generators and electrical engines predominantly in the power sector, closed circuit coolers offer low material usage and state-of-the-art safety levels without loss of heat exchange efficiency. These closed circuit coolers are tailor-made to the specific requirements of our customers.

Radiators/Industrial Dry Coolers

AFC-CS manufactures and sells radiators and industrial dry coolers capable of cooling diesel and gas engines or turbines for applications of the power industry. The radiators are primarily used in large stationary diesel engine power plants with more than 2.5MW and gas turbines, whereas the industrial dry coolers enable the cooling of small- to medium-sized diesel and gas engines used for decentral power generation with less than 2.5MW.

Commercial Air Coolers

AFC-CS's commercial air coolers, mainly marketed under the Küba brand, are sold to customers in the commercial refrigeration segment. Applications of these products include fresh produce storage and cold rooms in food retail and food service.

Customized Air Coolers

These devices are large-scale in nature and find their application in industrial applications, for example cold stores and tunnel freezers, and semi-industrial refrigeration applications, for example food processing and storage. Our products are mainly sold under the Goedhart brand name.

Condensers/Commercial Dry Coolers

Our condensers represent the counterpart to air coolers in the refrigeration cycle and are used to cool down the refrigerant after compression. Commercial dry coolers have a layout comparable to condensers and are used to cool down water in HVAC systems. Both products are typically positioned on the outside of buildings and are cooled via ambient air. We mainly market our products in this segment under the Searle brand name.

Bundles

We provide bundles for HVAC and industrial applications. Our customers typically build these into larger cooling/heating devices. The majority of our bundles business comes from our Air Treatment sister business unit.

AFC-Single Tube

AFC-Compact Systems' main product lines are described below:

Air Dryers

Air dryers are bundles of AFC tubes, typically hot dip galvanized finned tubes that are used to heat air for industrial drying purposes. The galvanization process provides the benefits of resistance to corrosion and long service life.

Pre-heaters

Pre-heaters are bundles of AFC tubes used to pre-heat air within an industrial combustion process. Pre-heaters are used in high-temperature applications and are generally customized to the specific application requirements.

Machine Cooling

Machine coolers are used to cool inlet air for diesel and gas engines, generally for engines generating greater than 200 KW of power. By cooling the inbound air to the engine, the engine is able to perform at a higher level of efficiency.

Transformer Air Coolers

Transformer air coolers are implemented to ensure dissipation of heat in oil-cooled power transformers. The primary application for transformer air coolers is within the power generation and transmission industry. These coolers are generally customized to the end-customer's requirements.

ACC/Heller

ACC/Heller's main product lines are described below:

Air-Cooled Condensers

Air-cooled condensers have the ability to condense the exhaust steam from steam turbines in all kinds of thermal power plants. The steam is passed inside finned tubes of which several are bundled. Cold ambient air is blown onto these bundles with a fan and cools the steam inside while it is passing through. The condensed water is collected and re-enters the steam cycle. Within ACC/Heller, we offer three different types:

- *ACC A-Tube condensers,* which are multi-row hot-dip galvanized condensers. A bundle of A-Tubes consists of several independent tubes with fins attached by galvanization. A-Tube types are not sensitive to mechanical loads and offer good resistance against environmental influences due to the hot-dip galvanization (a process under which metal is coated with a layer of zinc which makes the item more resistant to corrosion).

- *The Alex system*, which is an A-Tube type with brazed aluminum fins. The single-row bundle design has a self-supporting structure and offers a reduced weight based on the use of aluminum. Alex design ACCs achieve higher thermal efficiency compared to A-Tube types making it the preferred solution for most customers and applications.
- *ACC Mash bundles,* which consist of multiple rows of aluminum finned tubes and represent the preferred option for vacuum condensers, especially for petrochemical and oil and gas applications.

Heller

Heller is an indirect dry cooling technology. Exhaust steam from a turbine is condensed with the help of cooling water in a direct contact jet condenser or in a surface condenser. Thereafter, the heated cooling water is cooled in Forgo bundles within a natural draft or mechanical draft cooling tower. Forgo bundles are made of aluminum tubes expanded within aluminum punched fins. Besides lower life-cycle costs compared to ACCs, the Heller system offers several beneficial characteristics (including lowest condensing pressure in winter; one tower that can be used for several units; flue gas exhaust via a tower, etc.) representing the most suitable option for a wide range of dry cooling applications. In addition, we provide our customers with Heller derivatives such as combined dry/wet cooling or wet-to-dry conversion. These reduce the water consumption compared to wet cooling technologies.

Balance-of-Plant Systems

The Circumix technology is used in coal-fired power plants for the environmentally friendly disposal of coal combustion residues (*e.g.* ash). Unlike similar technologies, Circumix is able to mix all solid and aqueous waste into dense slurry with very little leachate and water consumption.

Wet Cooling

Wet Cooling’s main product lines are described below:

Circular and Hybrid Cooling Towers

Circular and hybrid cooling towers are primarily used in large power generation units. Here, the product cools the hot water stream from the steam condenser by using ambient air and evaporation. As the water temperature realized in the cooling tower is a key determinant of power plant efficiency, the cooling tower is a core equipment in thermal power plants. The large concrete stack structures often require a turnkey EPC offering which we provide stand-alone or in cooperation with a construction partner. The actual cost of the hydraulic wet cooling parts typically account for 20%-40% of the entire turnkey project value. For the future we are planning to primarily avoid offering turnkey solutions due to the risks associated with large subcontracts and to deliver the hydraulic wet cooling parts as a subcontractor to a construction company which will then deliver the entire cooling tower to the final customer.

Field erected Cooling Towers

Field erected cooling towers have a compact tower structure and are used in many areas such as power generation, chemical and petrochemical facilities, steel mills, lumber and paper mills, and large air conditioning facilities. This type of cooling tower is highly adaptable and can be combined with others, making it suitable to any medium to large cooling water stream. Consequently, these are individually planned according to the needs of our customers. The tower structure is flexible and individual cells can be serviced without impairing the system’s functionality. Depending on the application and geography, the design of these cooling towers can vary significantly with respect to the materials used.

Modular Cell Cooling Towers

Modular cell cooling towers comprise a modular system of fan-assisted, pre-assembled standard cell cooling towers which are available in various sizes. Several standard cells can readily be combined for larger applications and customer needs. Due to this flexibility, the modular design is also able to serve the field erected market to a large extent, blurring the differentiation between the two product lines. The high degree of standardization allows for cost savings in engineering, procurement and erection through economies of scale. Materials used for the structures are mainly stainless steel and fiber reinforced plastic, while the casing is always built from fiber-reinforced plastic.

Closed loop Cooling Towers

In contrast to open loop cooling towers, where the working fluid is directly cooled by the outside air, closed loop cooling towers are characterized by a closed process fluid circle with no direct contact to the ambient air. This product line is specifically sold for HVAC applications in Western Europe.

Fill products

Our range of fill products comprises cooling tower fills, drift eliminators and air inlet louvers for both circular and hybrid and modular/field erected cooling towers. Fills are responsible for the evaporation process and therefore one of the key drivers of efficiency. To adapt to the specific cooling processes and ambient conditions the fills need to be tailored to different applications requiring specific engineering know-how. All components are made from plastics and are also used in other markets, such as agricultural engineering markets.

Water/Wastewater products

Applications for the water/wastewater fills include mass transfer, sewage water cleaning, odor control, potable water processing and storm water management. Our largest market segment is sewage water plants, in which each project is customized and fully engineered to the specific project characteristics. Although constituting only a small portion of the overall product cost, our water/wastewater fills are key to the overall performance of the system.

GLOSSARY

Air-cooled condensers (“ACC”)	Air-cooled condensers are generally used to condense the exhaust steam from steam turbines in all kinds of thermal power plants. The steam is passed inside finned tubes of which several are bundled. Cold ambient air is blown onto these bundles with a fan and cools the steam inside while it is passing through. The condensed water is collected and re-enters the steam cycle. Our business unit ACCH offers three types of ACCs: • ACC A-Tube condensers are multi-row hot dip galvanized (“HdG”) condensers. A bundle of A-Tubes consists of several independent tubes with fins attached by galvanization. A-Tube types are not sensitive to mechanical loads and offer good resistance against environmental influences due to the hot dip galvanization. • The Alex system is the further developed successor of the A-Tube type with brazed aluminum fins. The single-row bundle design has a self-supporting structure and offers a reduced weight based on the use of aluminum. Alex design ACCs achieve higher thermal efficiency compared to A-Tube types making it the preferred solution for most customers and applications. • ACC mash bundles consist of multiple rows of aluminum finned tubes and represent the preferred option for vacuum condensers, especially for petrochemical and oil and gas applications.
Air fin cooler (“AFC”)	Air-cooled heat exchangers, in short air fin or fin fan coolers, are used in any application where large quantities of heat need to be transferred. This includes chemical and petrochemical industries, power stations, waste-to-energy facilities as well as steelworks. Using air rather than water for cooling is a cost-efficient alternative, which also helps limiting the thermal overload of rivers and lakes. Moreover, direct dry cooling offers substantial advantages since air is generally non-corrosive and of unlimited supply.
Air handling units (“AHU”)	AHUs are devices ranging from modular to compact units used to control climate and to maintain a defined air environment optimized for different applications. Modular units offer a free selection of components and functions and can be adapted to satisfy requirements such as the change of air, temperature, humidity and cleanliness of air. Compact units are delivered ready for installation with an integrated control system. Optimized for specific uses and fitted with a highly efficient heat recovery system, air handling units are aimed in particular towards commercial end-markets and are widely applied in commercial buildings, hospitals, airports etc.
Balance of plant systems (“BoP”)	The process by which HX Circumix technology facilitates the disposal of residues from coal firing plants by turning them into slurry.
Brazed plate heat exchangers	Brazed plate heat exchangers (“BPHE”) comprise an individually designed number of plates bonded to each other by a vacuum brazing process using copper or nickel. BPHE are compact in design, simple to install and can withstand higher operating pressures (up to 50 bar) and temperatures between 200°C and 500°C.
Bundles	Our product line for bundles includes bundles for HVAC and industrial applications, which are generally built into larger cooling/heating devices. The major share of our bundles business is done with the sister business unit Air Treatment.
Charge air coolers	Charge air coolers are used to cool down the compressed charge air from the turbocharger before it enters the combustion chamber of the engine. Our charge air coolers are built into large 2- and 4-stroke diesel and gas engines with a performance of more than 200 kW. Main end-market applications include large stationary engines in power generation, as well as marine and off-road (*e.g.*, locomotives) engines.
Chillers	A chiller is the cooling element in an air handling unit.

Circular and hybrid ("C&H") CT	C&H CTs are mainly used in large power generation units to cool the hot water stream from the steam condenser by evaporation. As the water temperature realized in the CT is a key determinant of power plant efficiency, CTs are a core equipment in thermal power plants. The large concrete stack structures often require a turnkey EPC offering which mostly is offered as sub-contractor to a construction partner. The actual cost of the hydraulic wet cooling parts (*e.g.*, fills, piping, spray nozzles and drift eliminators) typically accounts for 20-40% of the entire turnkey project value.
Circumix	The Circumix technology is a BoP system used in coal-fired power plants for the environmentally friendly disposal of coal combustion residues. Unlike other technologies, Circumix is able to mix all solid and aqueous waste into dense slurry with very little leachate and water consumption.
Closed circuit coolers	Closed circuit coolers are mainly used in the power market, where plant operators require products with optimal heat exchange efficiency, minimal use of material and maximum safety levels.
Close control units	Close control units are devices primarily characterized by their accuracy in temperature and humidity control (precision air conditioning), also in addition to their space-saving capacity and energy efficiency in air cooling. Our close control units meet the stringent requirements in data centers and telecommunication installations and contribute to the reliable operation and permanent availability of IT networks. Our close control units are also used in environments such as laboratories, hospitals, chip production and nano-technology production facilities.
Closed loop CT	In contrast to open loop CTs, where the working fluid is directly cooled by the outside air, closed loop CTs are characterized by a closed process fluid circle with no direct contact to the ambient air. With this product line, our business unit WET only serves a niche market for HVAC applications in Western Europe.
Commercial air coolers	Commercial air coolers are used to cool down air for commercial refrigeration applications, such as fresh produce storage and cold rooms in food retail and foodservice.
Condensers/Commercial dry coolers	Air-cooled condensers represent the counterpart to air coolers in the refrigeration cycle and are used to cool down the refrigerant after compression. Commercial dry coolers have a similar layout to condensers and are used to cool down water in HVAC systems. Both products are typically positioned on the outside of buildings and are cooled via ambient air.
CT	Abbreviation for cooling tower. Cooling towers are heat removal devices used to transfer process waste heat to the atmosphere. Cooling towers may either use the evaporation of water to remove process heat and cool the working fluid to near the wet-bulb air temperature or, in the case of closed circuit dry cooling towers, rely solely on air to cool the working fluid to near the dry-bulb air temperature. Common applications include cooling the circulating water used in oil refineries, petrochemical and other chemical plants, thermal power stations and HVAC systems for cooling buildings.
Customized air coolers	Customized air coolers are large-scale air coolers used for a wide range of industrial (*e.g.*, cold stores and tunnel freezers) and semi-industrial refrigeration applications (*e.g.*, food processing and storage).
Decentral Units	Decentral units are decentrally controlled devices (*i.e.*, devices that are not connected to a central duct system) which provide specialized air treatment solutions to individual rooms/objects. Examples are fan coil units, unit heaters, combined unit heaters and cooling units, door and gateway air curtains as well as roof mounted extract fans.
EPC	EPC stands for "engineering, procurement, construction." This is a usual form of contracting agreement in the construction industry. The engineering and construction contractor will carry out the detailed engineering design of the project, procure all the equipment and materials necessary, and then construct to deliver a functioning facility or asset to their clients. Companies that deliver EPC Projects are commonly referred to as EPC contractors, and "EPC" is sometimes also used to refer to the EPC contractor.

EGR	ERG stands for exhaust gas recirculation, a new technology for coolers developed jointly with clients in order to comply with new regulations requiring lower NOx emissions.
Field erected CT	Field erected cooling towers (CTs) are used in many applications such as power generation, chemical and petrochemical facilities, steel mills, lumber and paper mills, and large air conditioning facilities. As several CTs can be easily combined, field erected CTs provide high flexibility adapting to any medium to large cooling water stream. Field erected CTs are individually planned and optimized according to the specific needs of the clients. They are typically equipped with induced-draft fans which allow for a compact tower structure and offer high flexibility as individual cells can be serviced while the system is in operation. Depending on the region, the CT design can vary significantly with respect to the materials used for the structure (*e.g.*, wood, concrete, FRP or steel).
Fill products	A direct, or open circuit cooling tower is an enclosed structure in which the warm water fed to it distributes over a labyrinth-like packing called "fill." The fill provides an expanded air-water interface for heating of the air and evaporation to take place. Cooling tower fill products include CT fills, drift eliminators and air inlet louvers for both C&H and modular/field erected cooling towers. All components are made from plastics, such as PVC, PP, PVDF, and are also used in other markets, such as agricultural engineering markets. Fills can be considered as a core component of a wet CT since they are responsible for the evaporation process and therefore one of the key drivers of the achieved efficiency. To adopt to the specific cooling processes and ambient conditions, the fills need to be tailored to different applications requiring specific engineering know-how.
Filter	An air filter is a device which removes solid particulates such as dust, pollen, mold, and bacteria from the air. There are many different types of standard and special filters, which provide clean air in commercial, industrial and residential areas. In addition, there is a wide variety of decentral and central filter systems for process air and exhaust air filtration for numerous industrial applications. The scope of filter systems comprises environment-, workplace- and machine-protection filter systems in the field of dust control (pulse jet filter), oil- and emulsion mist separation (electrostatic precipitation and mechanical separation) as well as particle filtration (duct air filters). It also includes air intake filter systems for gas turbines, compressors and motors.
Gasketed plate heat exchangers	Gasketed plate heat exchangers form the largest sub-group within the plate heat exchanger market. Plates are bundled inside a steel frame and sealed by gaskets. The products tend to have lower pressure and temperature ranges than other types of plate heat exchangers and are mass-customized. Gasketed plate heat exchanger products are renowned as "all-rounders" and used across a large number of industries (*e.g.*, breweries, dairy production, marine). Gasketed plate heat exchangers cover a temperature range from -40°C to +180°C and pressures up to 35 bar.
Heller	Heller is an indirect dry cooling technology, originally developed by EGI in the 1940s. Exhaust steam from a turbine is condensed with the help of cooling water in a direct contact jet condenser or in a surface condenser. The heated cooling water is afterwards cooled in Forgo finned tube bundles within a natural draft or mechanical draft cooling tower. Forgo bundles are primarily made of aluminum (steel as a second option) tubes expanded within aluminum punched fins. Besides lower life-cycle costs compared to ACCs, the Heller system offers several beneficial characteristics (*e.g.*, lowest condensing pressure in winter, one tower can be used for several units, flue gas exhaust via tower, etc.) representing the most suitable option for a wide range of dry cooling applications. There are several Heller derivatives (*e.g.*, combined dry/wet cooling or Wet-to-dry conversion) offered as alternative for wet systems that help to reduce the water consumption while maximizing turbine output on an annual average base.

HVAC	HVAC stands for the set of technologies for heating, ventilation and air conditioning.
LNG	Liquefied natural gas. A liquefied natural gas plant facility liquefies the extracted gas to reduce it so a small fraction of its original volume, thus enabling cheaper transportation of the gas.
Machine cooling systems	Machine cooling systems are specialized heat exchanger solutions designed to be integrated into machine-specific installations. Our product line for machine cooling systems includes box coolers focused on engine cooling of mid-sized service vessels and other seawater applications with special corrosion protection requirements. The customers for these types of machine cooling systems include OEMs as well as operators of marine vessels. In addition, we produce compact high-performance oil coolers for industrial applications, heaters for heavy fuel oil and custom built heat exchangers for unique machine cooling requirements.
Modular cell CT	Modular cell CTs comprise a modular system of fan-assisted, preassembled standard cell CTs which are available in various sizes. Several standard cells can easily be combined for larger applications and customer needs. Due to this flexibility the modular design is also able to serve the field erected market to a large extent, blurring the differentiation between the two product lines. The high degree of standardization saves cost in engineering, procurement and erection through the scale effect. Materials used for the structures are mainly stainless steel and fiber-reinforced plastic (“FRP”), while the casing is always built from FRP.
Petrochemical systems	Petrochemical systems refer to heat exchangers that are mainly manufactured for high-temperature and high-pressure applications in oil refineries and for petrochemical processes. Due to the highly challenging environment in refineries and oil and gas applications, high product quality and longevity are of critical importance.
Radiators/Industrial dry coolers	Radiators/Industrial dry coolers are used to cool diesel and gas engines or turbines in power applications. While radiators are mainly used for cooling large stationary diesel engine power plants (>2.5MW) and gas turbines, industrial dry coolers are utilized for cooling small- to medium-size diesel and gas engines (<2.5MW) primarily used in decentral power generation.
Shell & tube	A shell and tube heat exchanger is the most common type of heat exchanger in oil refineries and other large chemical processes, and is suited for higher-pressure applications. It consists of a shell (a large pressure vessel) with a bundle of tubes inside it. One fluid runs through the tubes, and another fluid flows over the tubes (through the shell) to transfer heat between the two fluids. The set of tubes may be composed of several types of tubes: plain, longitudinally finned, etc.
Steam power systems	Our steam power systems include surface condensers, heat recovery systems for turbine engine exhaust gas (boilers and auxiliary equipment) and feed water heaters. Surface condensers are the largest product group in this segment. Surface condensers are water-cooled shell & tube heat exchangers installed on the exhaust steam side of steam turbines in thermal power stations or other industrial applications. The main duty of the surface condenser is the conversion of exhaust steam from its gaseous to liquid state.
Transformer cooling systems (“TCS”)	The product line for transformer cooling systems (“TCS”) comprises air and water coolers as well as transformer oil pumps. S&T’s air and water heat exchangers are used to cool large-scale transformers in power generation and transmission. Cooling the transformer oil is a critical functionality, as an overheated transformer would ultimately be destroyed. Given the large investment requirement for these large-scale transformers and the subsequent implications on power supply, heat exchanger quality and long-term durability are of utmost importance. The same holds true for oil pumps that are also used e.g. in high speed train transformers.

Water/Wastewater products	Just like CT fills, water/wastewater fills are locally assembled after a central foil production. The applications, however, differ significantly and include industrial mass transfer, sewage water cleaning, odor control, potable water processing and storm water management. In the largest market segment sewage water plants, each project is customized and fully engineered to the specific project characteristics. Although making up only a small portion of the initial capital expenditure, water/wastewater fills are important for the performance of the entire system.
Welded plate heat exchangers	Fully-welded plate heat exchangers ("WPHE") are the most sophisticated type of plate heat exchangers. Designed to withstand higher temperatures and pressures, they are used in highly-demanding applications in process industries like the sugar, oil and gas, power and chemical industries, where both high performance and stability under heavy load are required. WPHE products are characterized by a high degree of customization and value-added. WPHE products can operate between (50)°C and 720°C and withstand pressures up to 100 bar. Good examples of applications are the evaporation of thin sugar juice, crude oil sweetening or air and gas preheating for methanol, urea and ammonia units.

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Unaudited Combined Interim Financial Statements of Heat Exchangers Group for the first quarter of 2014

prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union

Combined Balance Sheet

as of March 31, 2014

Assets	03/31/2014	12/31/2013	Change in %
	(EUR thousand)		
Property, plant and equipment	253,555	244,918	3.5
Goodwill	119,162	119,874	(0.6)
Other intangible assets	44,364	44,771	(0.9)
Equity-accounted investments	6,466	6,466	—
Other non-current financial assets	9,623	8,265	16.4
Deferred taxes	46,210	47,573	(2.9)
Non-current assets	**479,380**	**471,867**	**1.6**
Inventories	162,583	142,285	14.3
Trade receivables	411,719	414,155	(0.6)
Income tax receivables	4,513	4,741	(4.8)
Other current financial assets	56,874	271,694	(79.1)
Cash and cash equivalents	88,199	112,257	(21.4)
Assets held for sale	—	8,342	—
Current assets	**723,888**	**953,474**	**(24.1)**
Total assets	**1,203,268**	**1,425,341**	**(15.6)**

Equity and liabilities	03/31/2014	12/31/2013	Change in %
	(EUR thousand)		
Net assets attributable to GEA Group AG	518,845	505,773	2.6
Accumulated other comprehensive income	(5,296)	(3,505)	51.1
Non-controlling interests	2,074	2,199	(5.7)
Equity	**515,623**	**504,467**	**2.2**
Non-current provisions	10,528	10,516	0.1
Non-current employee benefit obligations	28,552	27,718	3.0
Non-current financial liabilities	39,259	26,008	50.9
Other non-current liabilities	672	470	43.0
Deferred taxes	22,089	22,599	(2.3)
Non-current liabilities	**101,100**	**87,311**	**15.8**
Current provisions	80,622	81,703	(1.3)
Current employee benefit obligations	33,657	38,220	(11.9)
Current financial liabilities	76,073	272,379	(72.1)
Trade payables	193,233	238,479	(19.0)
Income tax liabilities	18,593	17,317	7.4
Other current liabilities	184,367	185,465	(0.6)
Current liabilities	**586,545**	**833,563**	**(29.6)**
Total equity and liabilities	**1,203,268**	**1,425,341**	**(15.6)**

Combined Income Statement

for the period January 1 – March 31, 2014

	Q1 2014	Q1 2013	Change in %
	(EUR thousand)		
Revenue	311,444	318,096	(2.1)
Cost of sales	232,457	236,911	(1.9)
Gross profit	**78,987**	**81,185**	**(2.7)**
Selling expenses	36,868	38,438	(4.1)
Research and development expenses	3,122	3,239	(3.6)
General and administrative expenses	21,643	23,301	(7.1)
Other income	11,007	7,672	43.5
Other expenses	11,261	6,690	68.3
Other financial income	32	92	(65.2)
Other financial expenses	(58)	101	—
Earnings before interest and tax (EBIT)	**17,190**	**17,180**	**0.1**
Interest income	359	2,121	(83.1)
Interest expense	998	4,563	(78.1)
Profit before tax	**16,551**	**14,738**	**12.3**
Income taxes	4,777	4,575	4.4
Profit after tax	**11,774**	**10,163**	**15.9**
Combined profit for the period	**11,774**	**10,163**	**15.9**
of which attributable to shareholders of GEA Group AG	11,774	10,148	16.0
of which attributable to non-controlling interests	—	15	—

Combined Statement of Comprehensive Income

for the period January 1 – March 31, 2014

	Q1 2014	Q1 2013	Change in %
	(EUR thousand)		
Combined profit for the period	**11,774**	**10,163**	**15.9**
Items, that will not be reclassified to profit or loss in the future:			
Actuarial gains/losses on pension and other post-employment benefit obligations	(2)	—	—
Items, that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations	(1,555)	1,346	—
Result of cash flow hedges	(269)	(197)	(36.5)
Other comprehensive income	**(1,826)**	**1,149**	**—**
Combined total comprehensive income	**9,948**	**11,312**	**(12.1)**
of which attributable to GEA Group AG shareholders	9,981	11,214	(11.0)
of which attributable to non-controlling interests	(33)	98	—

Combined Cash Flow Statement

for the period January 1 – March 31, 2014

	Q1 2014	Q1 2013
	(EUR thousand)	
Combined profit for the period	11,774	10,163
plus income taxes	4,777	4,575
Profit before tax	16,551	14,738
Net interest income	639	2,442
Earnings before interest and tax (EBIT)	**17,190**	**17,180**
Depreciation, amortization, impairment losses, and reversal of impairment losses on non-current assets	8,655	8,798
Other non-cash income and expenses	381	292
Employee benefit obligations	(129)	(155)
Change in provisions	(4,816)	(6,565)
Losses and disposal of non-current assets	(12)	—
Change in inventories including unbilled construction contracts*	(28,682)	(158)
Change in trade receivables	12,471	19,342
Change in trade receivables to GEA Group AG and affiliated companies	8,642	(1,593)
Change in trade payables	(48,796)	(47,143)
Change in trade payables to GEA Group AG and affiliated companies	(4,491)	(1,513)
Change in other operating assets and liabilities	3,167	3,164
Tax payments	(2,658)	(3,611)
Cash flow from operating activities	**(39,078)**	**(11,962)**
Proceeds from disposal of non-current assets	152	—
Payments to acquire property, plant and equipment and intangible assets	(3,851)	(2,193)
Interest income	213	617
Cash flow from investing activities	**(3,486)**	**(1,576)**
Payments from finance leases	(197)	(222)
Payments from financing loans with third parties	2,700	2,523
Payments of other transactions and financing with GEA Group AG and affiliated companies	16,246	(13,351)
Interest payments	128	(348)
Cash flow from financing activities	**18,877**	**(11,398)**
Effect of exchange rate changes on cash and cash equivalents	(660)	(1,237)
Change in unrestricted cash and cash equivalents	**(24,347)**	**(26,172)**
Unrestricted cash and cash equivalents at beginning of period	112,229	142,609
Unrestricted cash and cash equivalents at end of period	**87,882**	**116,437**
Restricted cash and cash equivalents	317	381
Cash and cash equivalents reported in the combined balance sheet	**88,199**	**116,818**

* Including advanced payments received

Combined Statement of Changes in Equity

as of March 31, 2014

		Accumulated other comprehensive income					
	Net assets attributable to GEA Group AG	Translation of foreign operations	Result of available-for-sale financial assets	Result of cash flow hedges	Total net assets attributable to GEA Group AG	Non-controlling interests	Total
				(EUR thousand)			
Balance at Jan. 1, 2013	**372,370**	**18,432**	**—**	**80**	**390,882**	**1,805**	**392,687**
Income	10,148	—	—		**10,148**	15	**10,163**
Other comprehensive income	—	1,263	—	(197)	**1,066**	83	**1,149**
Total comprehensive income	10,148	1,263	—	(197)	**11,214**	98	**11,312**
Other changes in non-controlling interests		—	—	—	**—**	—	**—**
Capital transactions with GEA Group AG and affiliated companies	(1,046)	—	—	—	**(1,046)**	—	**(1,046)**
Share-based payments	11	—	—	—	**11**	—	**11**
Balance at Mar. 31, 2013	**381,483**	**19,695**	**—**	**(117)**	**401,061**	**1,903**	**402,964**
Balance at Jan. 1, 2014	**505,773**	**(3,338)**	**—**	**(167)**	**502,268**	**2,199**	**504,467**
Income	11,774		—		**11,774**	—	**11,774**
Other comprehensive income	(2)	(1,522)	—	(269)	**(1,793)**	(33)	**(1,826)**
Total comprehensive income	11,772	(1,522)	—	(269)	**9,981**	(33)	**9,948**
Other changes in non-controlling interests	—	—	—	—	**—**	(92)	**(92)**
Capital transactions with GEA Group AG and affiliated companies	1,300	—	—	—	**1,300**	—	**1,300**
Share-based payments	—	—	—	—	**—**	—	**—**
Balance at Mar. 31, 2014	**518,845**	**(4,860)**	**—**	**(436)**	**513,549**	**2,074**	**515,623**

Notes to the Combined Financial Statements

1. Reporting principles

1.1 Background and general basis of preparation

The interim financial statements of Heat Exchangers Group, Bochum/Germany (HX Group) and the combined financial statements of the subsidiaries included in the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) and related Interpretations issued by the International Accounting Standards Board (IASB), as adopted by the EU for interim financial reporting in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and the Council on the application of international accounting standards. In accordance with IAS 34, the combined financial report does not contain all the information and disclosures required by IFRSs for full-year consolidated financial statements.

Against the background of GEA Group's planned sale of HX Group, various measures to make HX Group more autonomous and thus more independent of GEA Group were implemented in the reporting period. The legal relationship between GEA Group and HX Group was modified and various organizational changes were implemented, or the implementation of the appropriate measures was initiated. In particular, work began on the creation of independent central functions that were previously performed by GEA Group, as well as changes to HX Group's financing. In addition, agreements were amended and the tax and company law structures adapted in further preparation for the legal separation of HX Group from GEA Group.

The management of HX Group approved these combined interim financial statements for the first quarter 2014 for publication on 22 May, 2014.

1.2 Presentation of the combined financial statements

With the following exceptions, the presentation principles applied to the accompanying interim financial statements are the same as those applied as of December 31, 2013, and are described on pages 9 to 12 of the notes to the combined financial statements of HX Group.

There were profit transfer agreements in place between HX Group companies and GEA Group AG and its subsidiaries that do not belong to HX Group as of December 31, 2013. The payments received from GEA Group Aktiengesellschaft and its subsidiaries that do not belong to HX Group under profit transfer agreements were recorded as an addition to equity in the period they were received; profit transfers to GEA Group AG and its subsidiaries that do not belong to HX Group were presented as a disposal in equity. These profit transfer agreements were terminated and implemented for the last time as of December 31, 2013.

In fiscal year 2013, some of the HX Group companies were subject to individual taxation and some were included in income tax groups. All income tax groups between HX Group and GEA Group AG and its subsidiaries that do not belong to HX Group were dissolved in connection with the restructuring measures under company law to bundle HX Group's activities under two management holding companies, which was implemented effective December 31, 2013. The affected HX Group companies are therefore subject to individual taxation from January 1, 2014.

The HX companies are included in a tax group in HX Group's combined financial statements insofar as income tax groups are possible in accordance with the tax law requirements with respect to the structure under company law that was implemented effective December 31, 2013. The remaining HX Group companies are subject to individual taxation. The implementation of the restructuring measures under company law effective December 31, 2013, does not have any effect on the presentation of the tax result since this was assumed in HX Group's combined financial statements for fiscal years 2011, 2012, and 2013.

No HX Group companies have been a member of any income tax groups that include the tax group parent of GEA Group AG or one of its subsidiaries that do not belong to HX Group since the dissolution of the income tax groups effective January 1, 2014. As a result, GEA Group has not assumed any newly established income tax liabilities or income tax receivables for HX Group companies since that date. As of March 31, 2014, the income tax liabilities resulting from fiscal year 2013 amounted to EUR 7.7 million; the income tax receivables from fiscal year 2013 amounted to EUR 0.2 million. It is assumed that these income tax liabilities and receivables will be assumed and settled by GEA Group over the course of 2014.

The scope of the services sourced from GEA Group declined in the reporting period in connection with the establishment by HX Group of central functions that were previously assumed by GEA Group. In particular, these relate to services in the areas of mergers & acquisitions, public relations, legal, and internal audit. The amounts recharged to HX Group through a management fee declined accordingly: A management fee of EUR 2.0 million is expected for fiscal year 2014, down from EUR 4.1 million in fiscal year 2013. The adjustment of the management fee for 2013 to reflect actual costs also resulted in a EUR 0.6 million reimbursement to HX Group in the first quarter. As a result, total income of EUR 0.1 million from the management fee was recognized in the reporting period.

1.3 Description of accounting policies

These interim financial statements have been prepared in euros (EUR). All amounts, including the comparative figures, are presented in thousands of euros (EUR thousand). All amounts have been rounded using standard rounding rules. Adding together individual amounts may therefore result in a difference in the order of EUR 1 thousand in certain cases.

With the exception of the pronouncements first effective in the reporting period, the accounting policies applied to the accompanying interim financial statements are the same as those applied as of December 31, 2013, and are described in detail on pages 13 to 33 of the notes to the combined financial statements of HX Group.

The following accounting standards were applied for the first time in the reporting period:

IFRS 10 "Consolidated Financial Statements," IFRS 11 "Joint Arrangements," IFRS 12 "Disclosure of Interests in Other Entities," consequential amendments to IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – issued by the IASB in May 2011

In the first quarter of 2014, HX Group retrospectively applied IFRS 10 "Consolidated Financial Statements," IFRS 11 "Joint Arrangements," IFRS 12 "Disclosure of Interests in Other Entities," and the consequential amendments to IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures."

IFRS 10 replaces the consolidation requirements of IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities." The new IFRS 10 affects the definition of the basis of consolidation. As was previously required by IAS 27, consolidated financial statements must include those entities that are controlled by the parent. The definition of control in IFRS 10 differs from that used in IAS 27. Under IFRS 10, control exists when an investing entity is exposed, or has rights, to variable returns from involvement with the investee on the one hand, and has the ability to affect those returns through its power over the investee on the other.

IFRS 11 "Joint Arrangements" supersedes IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Nonmonetary Contributions by Venturers." In contrast to IAS 31, accounting for joint arrangements under IFRS 11 depends not on the legal form of the arrangement but on the nature of the rights and duties arising under the arrangement. IFRS 11 makes a distinction between joint operations and joint ventures. Under IFRSs, joint ventures now have to be accounted for using the equity method. The previous option to account for joint ventures using proportionate consolidation has been removed.

IFRS 12 "Disclosure of Interests in Other Entities" revises the disclosure requirements for all types of interests in other entities, including joint arrangements, associates, structured entities, and off-balance sheet vehicles.

Initial application of the new requirements did not affect the interim financial statements. The disclosures introduced by the new requirements are presented in the notes to the (full-year) combined financial statements, or where there are items that are required to be disclosed.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – issued by the IASB in June 2013

In the reporting period, HX Group applied the amended IAS 39 "Financial Instruments: Recognition and Measurement." Pursuant to the transition requirements, initial application was retrospective. As a result of the amendments to IAS 39, derivatives will still continue to be designated as hedging instruments in a hedging relationship when the hedging instrument is novated to a central counterparty. For this to apply, the central counterparty must become involved as a result of legal or regulatory requirements. The amendments to IAS 39 had no impact on the interim financial statements.

The IASB issued the following new accounting pronouncements in the reporting period:

Amendments to IFRS 11 "Joint Arrangements" – issued by the IASB in May 2014

The IASB's amendment to IFRS 11 governs the accounting for the acquisition of an interest in a joint operation that constitutes a business within the meaning of IFRS 3 "Business Combinations." In such cases, the acquirer should apply the accounting principles for business combinations set out in IFRS 3 and meet the disclosure requirements in accordance with IFRS 3.

GEA Group does not expect the implementation of these new requirements to materially affect its financial reporting. Subject to endorsement by the EU, the amendments to IFRS 11 must be applied prospectively for fiscal years beginning on or after January 1, 2016; earlier application is permitted.

1.4 Interim financial reporting principles

These interim financial statements present a true and fair view of the Company's results of operations, financial position, and net assets in the reporting period.

Preparation of interim financial statements requires management to make certain estimates and assumptions that may affect the Company's assets, liabilities, provisions, and deferred tax assets and liabilities, as well as its income and expenses. Although management makes such estimates and assumptions carefully and in good faith, actual amounts may differ from the estimates used in the interim financial statements.

Factors that may cause amounts to fall below expectations include a deterioration in the global economic situation, movements in exchange rates and interest rates, as well as material litigation and changes in environmental or other legislation. Errors in internal operating processes, the loss of key customers, and rising borrowing costs may also adversely affect HX Group's future performance.

2. Combined group

The composition of HX Group changed as follows in the first quarter of 2014:

	Number of companies
Combined group as of January 1, 2014	**67**
German companies	13
Foreign companies	54
Merger	1
Combined group as of March 31, 2014	**66**
German companies	13
Foreign companies	53

A total of 18 companies (December 31, 2013: 18) were not consolidated since their effect on the group's net assets, financial position, and results of operations is not material even when viewed in the aggregate.

3. Financial risk management

Changes – some of them significant – were made to HX Group's financing and financial risk management in the reporting period in light of the upcoming sale of HX Group from GEA Group.

Thus, HX Group was no longer included in GEA Group's internal group cash pools. Instead, independent cash pools were created within HX Group to raise and invest liquidity for HX Group. A separate liquidity plan is now being drawn up for HX Group. HX Group also monitors interest rate risk itself since this reporting period.

HX Group still mainly raises liquidity through loans extended by GEA Group AG. Thus, GEA Group AG granted HX Holding GmbH a credit facility, which had an unutilized amount of EUR 5.0 million as of the reporting date.

HX Group has not entered into derivatives to hedge foreign currency items with GEA Group AG since the beginning of the year; rather, it has traded directly with banks. Derivative financial instruments entered into between GEA Group AG and HX Group companies before this date are not affected. HX Group companies are still required to hedge foreign currency items as a rule.

HX Group's operating processes in financial risk management largely continue to be supported by services provided by GEA Group AG's central finance unit.

4. Combined balance sheet disclosures

Financial assets and liabilities

Both financial assets and financial liabilities changed significantly in the reporting period. This is predominantly attributable to changes in receivables from and liabilities to GEA Group AG and affiliated companies.

The decline in both financial receivables from and loans to GEA Group AG and affiliated companies is attributable to the offsetting of corresponding receivables and liabilities. Since the receivables and liabilities concerned were between different HX Group and GEA Group companies as of December 31, 2013, these were firstly transferred to the holding companies of GEA Group and HX Group by way of assignment to establish the legal basis for offsetting the receivables and liabilities. An amount of approximately EUR 148 million was offset in the first quarter of 2014. Trade receivables and trade payables were not included in the offsetting.

Financial instruments

The following tables provide an overview of the composition of financial instruments as of March 31, 2014, by class within the meaning of IFRS 7 as well as measurement category. The tables also include financial assets and liabilities, as well as derivatives that are included in recognized hedging relationships, but do not belong to any of the IAS 39 measurement categories.

		Measurement in accordance with IAS 39				
	Carrying amount 03/31/2014	Amortized cost	Fair value through profit or loss	Fair value recognized in other comprehensive income	Measurement in accordance with other IFRSs	Fair value 03/31/2014
	(EUR thousand)					
Assets						
Trade receivables	411,719	294,132	—	—	117,587	411,719
of which PoC receivables	117,587	—	—	—	117,587	117,587
of which from GEA Group AG and affiliated companies	9,381	9,381				9,381
of which from other equity investments	5,168	5,168				5,168
Income tax receivables	4,513	—	—	—	4,513	4,513
Cash and cash equivalents	88,199	88,199	—	—	—	88,199
Other financial assets	66,497	38,447	1,107	403	26,540	66,497
of which loans to GEA Group AG and affiliated companies	12,991	12,991				12,991
of which derivatives included in hedging relationships	403	—	—	403	—	403
By IAS 39 measurement category						
Loans and receivables	417,488	417,488	—	—	—	417,488
of which cash and cash equivalents	88,199	88,199	—	—	—	88,199
of which trade receivables	294,132	294,132	—	—	—	294,132
of which other financial assets	35,157	35,157	—	—	—	35,157
Available-for-sale investments	3,230	3,230	—		—	3,230
Financial assets at fair value through profit or loss (derivatives not included in a recognized hedging relationship)	1,107	—	1,107	—	—	1,107
Liabilities						
Trade payables	193,233	193,233	—	—	—	193,233
of which to GEA Group AG and affiliated companies	10,067	10,067				10,067
of which to other equity investments	910	910				910
Financial liabilities	115,332	99,913	947	1,278	13,194	115,332
of which loans from GEA Group AG and affiliated companies	94,104	94,104	—	—	—	94,104
of which liabilities under finance leases	13,194	—	—	—	13,194	13,194
of which derivatives included in hedging relationships	1,278	—	—	1,278	—	1,278
Income tax liabilities	18,593	—	—	—	18,593	18,593
Other financial liabilities	185,039	14,114	—	—	170,925	185,039
By IAS 39 measurement category						
Financial liabilities at amortized cost	307,260	307,260	—	—	—	307,260
of which trade payables	193,233	193,233	—	—	—	193,233
of which liabilities to banks	5,809	5,809	—	—	—	5,809
of which loans from GEA Group AG and affiliated companies	94,104	94,104	—	—	—	94,104
of which other liabilities to other equity investments	2,046	2,046	—	—	—	2,046
of which other liabilities	12,068	12,068	—	—	—	12,068
Financial liabilities at fair value through profit or loss (derivatives not included in a hedging relationship)	947	—	947	—	—	947

	Carrying amount 12/31/2013	Measurement in accordance with IAS 39: Amortized cost	Measurement in accordance with IAS 39: Fair value through profit or loss	Measurement in accordance with IAS 39: Fair value recognized in other comprehensive income	Measurement in accordance with other IFRSs	Fair value 12/31/2013
	(EUR thousand)					
Assets						
Trade receivables	414,155	308,292	—	—	105,863	414,155
of which PoC receivables	105,863	—	—	—	105,863	105,863
of which from GEA Group AG and affiliated companies	10,744	10,744				10,744
of which from other equity investments	3,804	3,804				3,804
Income tax receivables	4,741	—	—	—	4,741	4,741
Cash and cash equivalents	112,257	112,257	—	—	—	112,257
Other financial assets	279,958	255,119	1,008	992	22,839	279,958
of which loans to GEA Group AG and affiliated companies	227,497	227,497				227,497
of which derivatives included in hedging relationships	992	—	—	992	—	992
By IAS 39 measurement category						
Loans and receivables	672,377	672,377	—	—	—	672,377
of which cash and cash equivalents	112,257	112,257	—	—	—	112,257
of which trade receivables	308,292	308,292	—	—	—	308,292
of which other financial assets	251,828	251,828	—	—	—	251,828
Available-for-sale investments	3,291	3,291	—		—	3,291
Financial assets at fair value through profit or loss (derivatives not included in a recognized hedging relationship)	1,008	—	1,008	—	—	1,008
Liabilities						
Trade payables	238,479	238,479	—	—	—	238,479
of which to GEA Group AG and affiliated companies	5,827	5,827				5,827
of which to other equity investments	550	550				550
Financial liabilities	298,387	291,444	402	1,290	5,251	298,978
of which loans to GEA Group AG and affiliated companies	288,280	288,280	—	—	—	288,871
of which liabilities under finance leases	5,251	—	—	—	5,251	5,251
of which derivatives included in hedging relationships	1,290	—	—	1,290	—	1,290
Income tax liabilities	17,317	—	—	—	17,317	17,317
Other financial liabilities	185,935	17,523	—	—	168,412	185,935
By IAS 39 measurement category						
Financial liabilities at amortized cost	547,446	547,446	—	—	—	548,037
of which trade payables	238,479	238,479	—	—	—	238,479
of which liabilities to banks	2,994	2,994	—	—	—	2,994
of which loans to GEA Group AG and affiliated companies	288,280	288,280				288,871
of which other liabilities to other equity investments	3,049	3,049	—	—	—	3,049
of which other liabilities	14,604	14,604	—	—	—	14,604
Financial liabilities at fair value through profit or loss (derivatives not included in a hedging relationship)	402	—	402	—	—	402

Financial assets and liabilities that are measured at fair value, or for which a fair value is disclosed in the notes to the consolidated financial statements, are required to be categorized according to the fair value hierarchy described in the following. Categorization within the levels of the fair value hierarchy is based on the measurement of the underlying inputs:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical financial assets and liabilities.

Level 2 inputs: quoted market prices that are observable as direct (prices) or indirect (derived from prices) inputs used to measure fair value and that are not quoted prices as defined by Level 1.

Level 3 inputs: inputs that are not based on observable market data.

The following table shows the categorization of financial assets and financial liabilities into the three-level fair value hierarchy:

	03/31/2014	12/31/2013
	Level 2	Level 2
	(EUR thousand)	
Fair values assets		
Loans receivable GEA Group AG and affiliated companies	12,991	227,497
Derivatives	1,510	2,000
of which: derivatives included in hedging relationships	403	992
Fair values liabilities		
Loans payable GEA Group AG and affiliated companies	94,104	288,871
Derivatives	2,225	1,692
of which: derivatives included in hedging relationships	1,278	1,290

There were no transfers into or out of the levels of the fair value hierarchy in the first three months of fiscal year 2014.

The fair value of derivatives is calculated using quoted exchange rates and yield curves observable in the market. Accordingly, these are categorized within Level 2 of the fair value hierarchy.

The fair values of trade receivables, cash and cash equivalents, loans to and financial receivables from GEA Group AG and affiliated companies, and other financial receivables and liabilities essentially correspond to the carrying amounts; this is due to the predominantly short remaining maturities. In addition, loans to and financial receivables from GEA Group AG and affiliated companies mainly bear variable interest rates.

As of the reporting date, no financial instruments had been assigned to Level 1 or Level 3 of the fair value hierarchy.

Assets held for sale

The decline in assets held for sale from EUR 8,342 thousand as of December 31, 2013, to EUR 0.0 thousand as of March 31, 2014, is attributable to the sale of the land and buildings in Turkey that were not required for operating purposes.

5. Combined income statement disclosures

Other income and other expenses

The increase in other income and other expenses is due in particular to an increase in exchange rate gains and losses as well as in gains and losses on the measurement of foreign currency derivatives.

Income taxes expenses

The taxes recognized were calculated for the first quarter using an estimated tax rate of 28.9 percent (previous year: 31.0 percent). Since the agreement for the sale of HX Group was only entered into after the reporting date (see section 9), tax consequences resulting from the sale were not recognized in the reporting period.

6. Combined statement of comprehensive income and combined statement of changes in equity disclosures

Exchange differences on translating foreign operations

The change in exchange differences on translating foreign operations amounted to EUR (1,555) thousand in the period under review (previous year: EUR 1,346 thousand) and resulted primarily from the positive performance of the euro against various foreign currencies. In the prior-year quarter, exchange differences on translating foreign operations moved in the opposite direction, largely due to the depreciation of the euro against various foreign currencies, with the performance of sterling against the euro having an offsetting effect.

7. Segment reporting

HX Group’s business activities are divided into the following seven segments (also referred to as “business units”):

- **Air Cooled Condensers/Heller (ACC-H)** develops, produces, and markets dry and combined dry/wet cooling systems. Its main customers are companies in the energy and oil and gas industries. Air cooled condensers, Heller systems, and other indirect dry cooling systems offer technical solutions for cooling and condensing steam in thermal power plants and various other applications.
- **Air Fin Cooler Compact Systems (AFC-CS)** develops compact heat exchangers for two main applications: cooling diesel and gas engines, generators, and electric motors, and for commercial and industrial cooling in various industries.

- **Air Fin Cooler Single Tube (AFC-ST)** covers two business areas: air fin cooler projects for oil and gas customers, as well as air heaters/dryers, and air preheaters and other components for customers in the cellulose, paper, chemicals, film and plastic, and energy sectors.
- **Air Treatment (AT)** provides a comprehensive range of HVAC solutions with a focus on commercial or industrial applications, such as data centers, office buildings, hospitals, hotels, shopping centers, and production buildings. This segment's portfolio includes central air handling units, fan coil units, close control units, chillers, and air filter systems.
- **Plate Heat Exchangers (PHE)** provides a range of gasketed, fully welded, and glazed plate heat exchangers that can be used in various applications in industries including the HVAC, energy, food, refrigeration, oil and gas, marine, and chemicals industries.
- **Shell and Tube (S&T)** provides shell-and-tube heat exchangers for niche applications. The segment mainly operates in the components and plant business, with a focus on the energy and oil and gas markets.
- **Wet Cooling (WET)** develops, produces, and sells wet cooling applications for a range of industrial clients – from large natural draft cooling towers to small- and mid-sized modular cooling towers. The segment also provides fill products for cooling towers and water and waste water treatment.

	ACC-H	AFC-CS	AFC-ST	AT	PHE	S&T	WET	Total of segments
				(EUR thousand)				
Q1 2014								
External revenue	53,088	54,108	51,112	62,088	47,532	23,170	20,346	**311,444**
Intersegment revenue	—	2,544	188	29	304	31	27	**3,123**
Total revenue	53,088	56,652	51,300	62,117	47,836	23,201	20,373	**314,567**
EBITDA	3,384	7,264	4,887	1,392	4,434	3,769	(1,339)	**23,791**
Depreciation and amortization	769	2,242	1,266	1,441	1,567	678	423	**8,386**
EBIT	2,615	5,022	3,621	(49)	2,867	3,091	(1,762)	**15,405**
Additions in property, plant, and equipment, intangible assets, and goodwill	61	11,885	828	804	662	192	178	**14,610**
Additions to provisions	2,928	3,313	6,633	3,796	2,179	3,115	1,426	**23,390**

	ACC-H	AFC-CS	AFC-ST	AT	PHE	S&T	WET	Total of segments
				(EUR thousand)				
Q1 2013								
External revenue	52,203	54,917	45,618	64,908	59,031	19,348	22,071	**318,096**
Intersegment revenue	(1,397)	2,850	(87)	48	210	—	(488)	**1,136**
Total revenue	50,806	57,767	45,531	64,956	59,241	19,348	21,583	**319,232**
EBITDA	1,823	6,635	4,354	1,978	6,431	2,431	1,394	**25,046**
Depreciation and amortization	971	2,020	1,528	1,514	1,604	679	441	**8,757**
EBIT	852	4,615	2,826	464	4,827	1,752	953	**16,289**
Additions in property, plant, and equipment, intangible assets, and goodwill	96	596	102	946	474	38	143	**2,395**
Additions to provisions	2,500	2,506	1,440	4,301	2,167	903	555	**14,372**

The segment asset recognition and measurement policies are the same as those used by HX Group and described in the accounting policies section of the combined financial statements for fiscal year 2013. The profitability of the individual HX Group segments is measured using "earnings before interest and tax" (EBIT), as presented in the income statement.

Costs for the HX holding company and the management of HX Group, as well as expenses for administrative activities that cannot be clearly allocated to the segments are recognized in the "Administration" reconciling item. Since HX Group's segment reporting is based on the figures reported in the consolidated financial statements of GEA Group AG, they do not contain any adjustments resulting from the standalone presentation of HX Group in the combined financial statements. Any differences are recognized in the "Adjustments to the combined financial statements" reconciling item.

The following table shows the reconciliation of total segment EBITDA to EBIT:

	Q1 2014	Q1 2013
	(EUR thousand)	
Total Segment EBITDA	**23,791**	**25,046**
Depreciation and amortization	(8,386)	(8,757)
Total Segment EBIT	**15,405**	**16,289**
Administration	1,619	120
Adjustments combined financial statement	166	88
Consolidation	—	683
EBIT	**17,190**	**17,180**

8. Related party disclosures

Since HX Group is controlled by GEA Group AG, GEA Group AG and its affiliates are related parties of HX Group.

Income and expenses from HX Group's transactions with GEA Group AG and its associates in the reporting period are composed of the following items:

	Revenue	Other income	Purchases of goods and services	Other expenses	Interest income	Interest expense
			(EUR thousand)			
Q1 2014						
GEA Group and consolidated companies	8,964	190	2,229	920	133	735
Other GEA Group AG equity investments	74	—	—	—	—	0
Q1 2013						
GEA Group and consolidated companies	9,525	25	2,362	892	1,483	3,923
Other GEA Group AG equity investments	83	—	—	—	—	—

As of the reporting date, there were the following open items from transactions between HX Group on the one hand and GEA Group AG and its affiliates on the other:

	Trade receivables	Trade payables	Other financial assets	Financial liabilities and other liabilities
		(EUR thousand)		
03/31/2014				
GEA Group and consolidated companies	9,272	10,041	11,861	96,150
Other GEA Group AG equity investments	109	26	1	3
12/31/2013				
GEA Group and consolidated companies	10,658	5,345	227,216	291,329
Other GEA Group AG equity investments	86	482	—	4

Trade payables are settled by bank transfer. Other financial assets and financial liabilities and other liabilities are generally offset against each other if the corresponding requirements are met. HX Group's outstanding amounts owed to GEA Group AG and its affiliated companies are unsecured.

Income and expenses from transactions with HX Group companies and joint ventures not included in the combined financial statements are composed of the following items:

	Revenue	Other income	Purchases of goods and services	Other expenses	Interest income	Interest expense
			(EUR thousand)			
Q1 2014						
Unconsolidated companies	2,346	12	—	—	20	—
Joint ventures	1,441	—	1	—	—	—
Q1 2013						
Unconsolidated companies	5,513	13	—	—	1	—
Joint ventures	1,793	—	—	—	5	—

As of the reporting date, there were the following open items from transactions between HX Group companies and joint ventures not included in the combined financial statements:

	Trade receivables	Trade payables	Other financial assets	Financial liabilities and other liabilities
	(EUR thousand)			
03/31/2014				
Unconsolidated companies	3,962	104	1,609	198
Joint ventures	1,206	806	486	—
12/31/2013				
Unconsolidated companies	2,929	207	2,008	198
Joint ventures	875	343	425	—

Bank guarantees and GEA Group AG guarantees

The HX companies utilized bank guarantee lines of GEA Group AG and also arranged for the issue of GEA Group AG group guarantees in favor of customers in the reporting period.

The obligations presented in the following table relate to contingent liabilities for which the primary debtors in the underlying transactions (e.g., deliveries) are HX Group companies, and for which bank guarantee lines of GEA Group AG were utilized or GEA Group AG group guarantees were issued in favor of customers or lenders.

	Bank guarantees		Group guarantees	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
	(EUR thousand)			
Advance payment guarantees	43,833	47,756	3,280	2,638
Warranties	38,719	40,100	2,827	2,760
Performance guarantees	112,264	106,281	379,718	379,581
Other declarations of liability	13,070	12,788	173,954	73,505
Total	**207,886**	**206,925**	**559,779**	**458,484**

The increase in group guarantees issued by GEA Group AG between December 31, 2013, and March 31, 2014, was due in particular to the assumption of liability by GEA Group AG for the cash pools established by HX Group and for derivative financial instruments entered into by HX Group to hedge foreign currency items (see section 3).

9. Events after the end of the reporting period

On April 16, 2014, GEA Group entered into an agreement for the sale of HX Group to funds advised by Triton. The transaction is still subject to approval by the relevant antitrust authorities. The transaction is expected to be completed at the end of 2014.

Audited Combined Financial Statements of the Heat Exchangers Group for the financial year 2013

in accordance with International Financial Reporting Standards as adopted by the European Union

Combined Balance Sheet

as of December 31, 2013

Assets	Section	12/31/2013	12/31/2012
		(EUR thousand)	
Property, plant and equipment	4.1	244,918	254,227
Goodwill	4.2	119,874	121,418
Other intangible assets	4.3	44,771	46,459
Equity-accounted investments	4.4	6,466	5,832
Other non-current financial assets	4.5	8,265	67,651
Deferred taxes	6.7	47,573	51,936
Non-current assets		**471,867**	**547,523**
Inventories	4.6	142,285	181,832
Trade receivables	4.7	414,155	415,257
Income tax receivables	4.8	4,741	8,096
Other current financial assets	4.5	271,694	342,036
Cash and cash equivalents	4.9	112,257	148,221
Assets held for sale	4.10	8,342	9,124
Current assets		**953,474**	**1,104,566**
Total assets		**1,425,341**	**1,652,089**

Equity and liabilities	Section	12/31/2013	12/31/2012
		(EUR thousand)	
Net assets attributable to GEA Group AG		505,773	372,370
Accumulated other comprehensive income		(3,505)	18,512
Non-controlling interests		2,199	1,805
Equity	5.1	**504,467**	**392,687**
Non-current provisions	5.2	10,516	9,687
Non-current employee benefit obligations	5.3	27,718	28,907
Non-current financial liabilities	5.4	26,008	252,854
Other non-current liabilities	5.7	470	4,833
Deferred taxes	6.7	22,599	25,363
Non-current liabilities		**87,311**	**321,644**
Current provisions	5.2	81,703	89,868
Current employee benefit obligations	5.3	38,220	36,374
Current financial liabilities	5.4	272,379	316,652
Trade payables	5.5	238,479	231,750
Income tax liabilities	5.6	17,317	19,910
Other current liabilities	5.7	185,465	243,204
Current liabilities		**833,563**	**937,758**
Total equity and liabilities		**1,425,341**	**1,652,089**

Combined Income Statement

for the period January 1 – December 31, 2013

	Section	01/01/2013 - 12/31/2013	01/01/2012 - 12/31/2012
		(EUR thousand)	
Revenue	6.1	1,489,067	1,608,769
Cost of sales		1,100,084	1,195,115
Gross profit		**388,983**	**413,654**
Selling expenses		160,379	156,226
Research and development expenses		13,682	12,179
General and administrative expenses		91,689	93,212
Other income	6.2	35,319	34,950
Other expenses	6.3	42,686	55,617
Share of profit or loss of equity-accounted investments		634	857
Other financial income	6.5	176	335
Other financial expenses	6.6	378	1,546
Earnings before interest and tax (EBIT)		**116,298**	**131,016**
Interest income	6.5	8,498	7,516
Interest expense	6.6	18,814	22,235
Profit before tax		**105,982**	**116,297**
Income taxes	6.7	32,892	37,124
of which current taxes		32,780	30,210
of which deferred taxes		112	6,914
Profit after tax		**73,090**	**79,173**
Combined profit for the period		**73,090**	**79,173**
of which attributable to shareholders of GEA Group AG		72,737	76,984
of which attributable to non-controlling interests		353	2,189

Combined Statement of Comprehensive Income

for the period January 1 – December 31, 2013

	Section	01/01/2013 - 12/31/2013	01/01/2012 - 12/31/2012
		(EUR thousand)	
Combined profit for the period		**73,090**	**79,173**
Items, that will not be reclassified to profit or loss in the future:			
Actuarial gains/losses on pension and other post-employment benefit obligations	**5.3.1**	**571**	**(4,616)**
of which changes in actuarial gains and losses		839	(6,587)
of which tax effect		(268)	1,971
Items, that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations		**(21,603)**	**(3,211)**
of which changes in unrealized gains and losses		(21,603)	(3,211)
Result of cash flow hedges		(247)	(347)
of which changes in unrealized gains and losses		770	344
of which realized gains and losses		(1,173)	(917)
of which tax effect		156	226
Other comprehensive income		**(21,279)**	**(8,174)**
Combined total comprehensive income		**51,811**	**70,999**
of which attributable to GEA Group AG shareholders		51,291	68,748
of which attributable to non-controlling interests		520	2,251

Combined Cash Flow Statement

for the period January 1 – December 31, 2013

	Section	01/01/2013 - 12/31/2013	01/01/2012 - 12/31/2012
		(EUR thousand)	
Combined profit for the period		73,090	79,173
plus income taxes	6.7	32,892	37,124
Profit before tax		105,982	116,297
Net interest income	6.5/6.6	10,316	14,719
Earnings before interest and tax (EBIT)		**116,298**	**131,016**
Depreciation, amortization, impairment losses, and reversal of impairment losses on non-current assets		39,146	37,015
Other non-cash income and expenses		(2,714)	(1,721)
Employee benefit obligations		(777)	(802)
Change in provisions		(3,590)	(19,718)
Losses and disposal of non-current assets		344	(832)
Change in inventories including unbilled construction contracts*		7,434	47,473
Change in trade receivables		(16,111)	9,167
Change in trade receivables to GEA Group AG and affiliated companies		(2,192)	5,490
Change in trade payables		14,794	(54,556)
Change in trade payables to GEA Group AG and affiliated companies		5,893	(2,669)
Change in other operating assets and liabilities		(4,810)	(539)
Tax payments		(21,875)	(28,135)
Cash flow from operating activities		**131,840**	**121,189**
Proceeds from disposal of non-current assets		1,721	1,888
Payments to acquire property, plant and equipment and intangible assets		(30,756)	(36,023)
Interest income		2,332	2,352
Dividend income		48	5,635
Payments to acquire subsidiaries and other businesses	8.1	(1,500)	(776)
Cash flow from investing activities		**(28,155)**	**(26,924)**
Payments to non-controlling interests		(126)	(704)
Payments from finance leases		(281)	(967)
Repayments of financing loans with third parties		(2,975)	(5,776)
Repayments of other transactions and financing with GEA Group AG and affiliated companies	8.1	(115,335)	(98,002)
Interest payments		(1,540)	(2,914)
Cash flow from financing activities		**(120,257)**	**(108,363)**
Effect of exchange rate changes on cash and cash equivalents		(13,808)	(3,709)
Change in unrestricted cash and cash equivalents		**(30,380)**	**(17,807)**
Unrestricted cash and cash equivalents at beginning of period		142,609	160,416
Unrestricted cash and cash equivalents at end of period		**112,229**	**142,609**
Restricted cash and cash equivalents		28	5,612
Cash and cash equivalents reported in the combined balance sheet	**4.9**	**112,257**	**148,221**

* Including advanced payments received

Combined Statement of Changes in Equity

as of December 31, 2013

	Net assets attributable to GEA Group AG	Accumulated other comprehensive income: Translation of foreign operations	Result of available-for-sale financial assets	Result of cash flow hedges	Total net assets attributable to GEA Group AG	Non-controlling interests	Total
				(EUR thousand)			
Balance at Jan. 1, 2012	**350,296**	**21,705**	**—**	**427**	**372,428**	**258**	**372,686**
Income	76,984	—	—		**76,984**	2,189	**79,173**
Other comprehensive income	(4,616)	(3,273)	—	(347)	**(8,236)**	62	**(8,174)**
Total comprehensive income	72,368	(3,273)	—	(347)	**68,748**	2,251	**70,999**
Other changes in non-controlling interests		—	—	—	**—**	–704	**(704)**
Capital transactions with GEA Group AG and affiliated companies*	(50,358)	—	—	—	**(50,358)**	—	**(50,358)**
Share-based payments	64	—	—	—	**64**	—	**64**
Balance at Dec. 31, 2012	**372,370**	**18,432**	**—**	**80**	**390,882**	**1,805**	**392,687**
Income	72,737		—		**72,737**	353	**73,090**
Other comprehensive income	571	(21,770)	—	(247)	**(21,446)**	167	**(21,279)**
Total comprehensive income	73,308	(21,770)	—	(247)	**51,291**	520	**51,811**
Other changes in non-controlling interests	—	—	—	—	**—**	(126)	**(126)**
Capital transactions with GEA Group AG and affiliated companies*	60,116	—	—	—	**60,116**	—	**60,116**
Share-based payments	(21)	—	—	—	**(21)**	—	**(21)**
Balance at Dec. 31, 2013	**505,773**	**(3,338)**	**—**	**(167)**	**502,268**	**2,199**	**504,467**

* See section 5.1

Notes to the Combined Financial Statements

1. Reporting principles

1.1 Background and general basis of preparation

The accompanying combined financial statements relate to Heat Exchangers Group, Bochum/Germany (HX Group). HX Group is a component of the entity reported as a segment in accordance with IFRS 8 in GEA Group's IFRS consolidated financial statements, which comprises GEA Group Aktiengesellschaft and its subsidiaries. The combined financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and related Interpretations issued by the International Accounting Standards Board (IASB), as adopted by the EU.

HX Group covers a wide variety of activities related to heat exchangers and has one of the largest portfolios of heat exchangers worldwide. HX Group provides a full range of solutions, including plate heat exchangers, shell-tube heat exchangers, air cooled heat exchangers, air filter systems, wet and dry cooling systems, plastic fills, and air treatment systems for numerous applications in the energy, oil and gas, chemicals, marine, climate and environment, water and waste water treatment, and food markets.

The GEA Heat Exchangers (GEA HX) Segment has a strong market position and its profitability has historically remained largely steady.

As a result of the in-depth strategic and technological review of the whole GEA Group portfolio initiated by GEA Group AG's Executive Board in fiscal year 2012, the Heat Exchangers business area no longer forms part of GEA Group's core business. The potential for synergies between the current HX Segment and the other GEA Group segments is limited due to their differing business profiles. In June 2013, the Executive Board of GEA Group AG therefore resolved, with the approval of the Supervisory Board, to withdraw from the HX Segment.

Since GEA Group AG's Executive Board expects the sale of the HX Segment to be completed in fiscal year 2014, this business area was presented as a discontinued operation in accordance with IFRS 5 in the 2013 consolidated financial statements of GEA Group. In addition, the assets and liabilities of the GEA HX disposal group are reported in the consolidated balance sheet of GEA Group AG as of December 31, 2013, under "assets held for sale" and "liabilities held for sale" in accordance with IFRS 5.

1.2 Overview of the companies included

The combined HX financial statements cover all companies that GEA Group's Executive Board has historically assigned to the HX Segment for economic reasons. The combined financial statements do not include individual companies where the assets and liabilities attributable to the companies and the companies themselves will not be included in the planned separation of HX Group from GEA Group (see section 2.1).

Various legal restructuring measures and other transactions to bundle HX Group's activities under two management holding companies were implemented at the end of fiscal year 2013 in preparation for the planned separation of HX Group from GEA Group (see section 8.3.1). These transactions largely aligned the legal structure with the economic structure.

Please refer to the list of companies presented in section 11 for details of the companies included in the combined financial statements and the other investment relationships in HX's financial statements.

1.3 Presentation of the combined financial statements

With the exception of the accounting policy used for the adjustments due to the classification of the GEA HX Segment as a discontinued operation and held for sale in the consolidated financial statements of GEA Group AG in accordance with IFRS 5, the accounting policies and principles applied by HX Group for the preparation of the combined financial statements do not differ from those used by GEA Group for the preparation of the consolidated financial statements. Intercompany balances in the combined financial statements, such as income and expenses or unrealized gains and losses, resulting from transactions between HX companies are eliminated in the combined financial statements. Due to the preparation of the combined financial statements, HX Group's equity is reported differently to the method provided for in IAS 1 "Presentation of Financial Statements." The items "net assets attributable to GEA Group AG," "accumulated other comprehensive income," and "non-controlling interests" are presented in the standard format for reporting equity in combined financial statements. The net assets attributable to GEA Group AG include the equity recognized by GEA Group AG that is substantively attributable to HX Group. For the companies within HX Group, the carrying amount of the investments in companies that are held by HX Group and the share in the net equity of each company has been consolidated. The net assets attributable to HX Group also include the undistributed profits of all HX Group companies, as well as actuarial gains and losses from defined benefit pension plans. Changes in equity outside profit or loss are reported in the "accumulated other comprehensive income" item if they do not relate to capital transactions with shareholders. Accumulated other comprehensive income comprises the effective portion of the change in fair value of derivatives designated as cash flow hedges and exchange rate gains or losses from the translation of the financial statements of companies whose functional currency differs from the functional currency.

Material transactions with GEA Group AG and its subsidiaries that are directly or indirectly controlled by GEA Group AG are reported as transactions with affiliated companies. The combined financial statements were prepared on a carve-out basis derived from the segment reporting in the consolidated financial statements of GEA Group AG. The aim was to consider the net assets, financial position, and results of operations, and cash flow of HX Group on a historical stand-alone basis. The combined financial statements of HX Group thus reflect the assets, liabilities, income and expenses, and inflows and outflows – including intercompany allocations – that are directly attributable to HX Group both on a historical basis and on a substance over form basis resulting from GEA Group AG's consolidated accounting system. Deviating from this a power plant project in Russia for which HX Group is involved in the delivery of three cooling towers will remain with GEA Group. This project has not been excluded in the combined financial statements for reasons of materiality. The changes to the carve-out basis presented in section 8.3.1 are also taken into account.

Financial assets and financial liabilities are allocated to HX Group on a historical basis and on a substance over form basis resulting from GEA Group AG's consolidated accounting system. The changes to the carve-out basis presented in section 8.3.1 are also taken into account.

As a consequence of the allocation of financial assets and financial liabilities to HX Group described above, the combined financial statements also report financial receivables from and financial liabilities to GEA Group AG and affiliated companies if the financing is used to fund investments in or divestments of GEA Group activities that are not recognized in the financial statements of HX Group. These transactions do not increase or reduce the net assets reported in HX Group's financial statements, as the activities are eliminated in the combined financial statements. The corresponding offsetting entry for the recognition of these receivables and liabilities by HX Group is recognized directly in equity, as it is attributable to GEA Group's control of HX Group and therefore considered as a contribution or distribution. Accordingly, these transactions are recognized in cash flow from financing activities in the combined cash flow statement rather than cash flow from investing activities. As of December 31, 2013, the combined financial statements only contained insignificant financial liabilities resulting from such transactions.

The combined financial statements also report financial assets and financial liabilities resulting from the legal acquisition or disposal of HX Group business activities which continue to be reported in the financial statements of HX Group. These transactions do not increase or reduce the net assets reported in HX Group's combined financial statements, as the activities are not eliminated in the combined financial statements. These financial assets and liabilities are treated in the same way as the transactions described above: The offsetting item for these financial assets and financial liabilities is also recognized directly in equity, as they are considered to be a contribution or withdrawal. These transactions are also reported under cash flow from financing activities in the combined cash flow statement. As of December 31, 2013, the combined financial statements no longer contained financial receivables resulting from such transactions.

There were profit transfer agreements in place between HX Group and GEA Group AG and its subsidiaries that do not belong to HX Group, which were implemented for the last time as of December 31, 2013. The payments received from GEA Group AG and its subsidiaries that do not belong to HX Group under profit transfer agreements are recorded as an addition to equity in the period they are received; payments to GEA Group AG and its subsidiaries that do not belong to HX Group are presented as capital distributions.

In the period presented, some of the HX Group companies are subject to individual taxation and some are included in an income tax group. The tax groups in Germany and abroad mainly comprise HX Group companies, but also include companies outside HX Group from other business areas of GEA Group. During the reporting period, there were income tax groups in Germany, Austria, Denmark, the Netherlands, the United Kingdom, and the U.S.A.

The companies that had previously been taxed on an individual basis remained subject to individual taxation for the purposes of the combined financial statements. The tax items of these companies were transferred unchanged to the combined financial statements from GEA Group AG's consolidated financial statements. Companies that belonged to an income tax group in the reporting period were also included in the tax group in HX Group's combined financial statements, insofar as possible in accordance with tax law requirements, particularly in respect of HX Group's structure under company law. For both the 2012 and 2013 combined financial statements, compliance with these requirements was based on HX Group's structure under company law, following implementation of the company law restructuring measures as of December 31, 2013. If inclusion in an income tax group is not possible due to HX Group's structure under company law, the companies concerned are taxed on an individual basis. As a result, all companies in Germany that belonged to income tax groups in the reporting period continued to be presented as members of an income tax group, with two independent tax groups recognized in Germany. It was also possible to present the HX companies in the United Kingdom as members of an income tax group ("group relief"). Due to HX Group's structure under company law, it was not possible for the companies in Austria, Denmark, the Netherlands, and the U.S.A. to be included in a tax group, therefore the tax items of these companies were recognized in the combined financial statements on an individual basis. It is assumed that the income tax liabilities calculated on the above basis will be paid in the following year. This gives rise to differences from the tax payments actually made by the HX Group companies. These differences are recognized directly in equity, as the assumption of HX Group's tax liabilities by GEA Group, or vice versa, is based on GEA Group's control of HX Group and is therefore considered as a contribution or distribution.

These combined financial statements have been prepared in euros (EUR). All amounts, including the prior-year figures, are presented in thousands of euros (EUR thousand). All amounts have been rounded using standard rounding rules. Adding together individual amounts may therefore result in differences in the order of EUR 1 thousand in certain cases.

To improve the clarity of presentation, various items in the combined balance sheet and income statement have been aggregated and are explained accordingly in the notes. Assets and liabilities are classified into current and non-current items. The combined income statement is prepared using the cost of sales method.

The combined cash flow statement is prepared using the indirect method for cash flow from operating activities and the direct method for cash flow from investing and financing activities.

Since HX Group was previously a segment of GEA Group, GEA Group AG and its subsidiaries provide central services to HX Group. The resulting service costs are charged to HX Group in the form of a management fee calculated on a cost-plus basis. The costs passed on to HX Group mainly relate to the central management of strategic, human resources, legal, and tax matters, mergers & acquisitions, central financial management, group financial control, group accounting, investor and public relations, and internal audit. All directly attributable costs are initially allocated in full to the relevant HX Group company. For costs that are not directly attributable, the allocation key reflects the proportion of the relevant GEA Group company's revenue in relation to GEA Group's consolidated revenue or segment revenue. The specific allocation keys for each of the following cost centers are shown in brackets: ideas management (headcount), human resources (headcount), procurement (cost of materials), security management (travel costs), German Works Council (German headcount), and European Works Council (European headcount).

In addition, GEA Group AG charges the foreign companies in HX Group license fees for using the GEA trademark in the form of a trademark fee. The size of the license fee is based on the volume of revenue generated firstly with GEA Group's sales companies and secondly with customers not belonging to GEA Group.

Although it is not possible to estimate the actual costs arising from the purchase of third-party services provided by GEA Group with sufficient accuracy, the management of GEA Group AG and HX Group consider the allocation made to be appropriate. The HX Group figures and accounts presented in these combined financial statements are therefore not necessarily representative of the figures or accounts that would have been presented if HX Group was an independently operating enterprise or independent of GEA Group AG.

The undersigned management personnel of HX Group approved these combined financial statements for publication on April 3, 2014.

1.4 Accounting pronouncements applied for the first time

The accounting standards presented below were applied for the combined financial statements of HX Group for the first time in the year under review: The accounting pronouncements to be applied for the first time in fiscal year 2013 did not have a material effect on the HX Group's net assets, financial position and results of operation. The initial application of the revised IAS 1 only affected the presentation in the statement of comprehensive income. Additional disclosures were included in the notes to the combined financial statements as a result of the initial application of IFRS 13.

IFRS 13 "Fair Value Measurement" – published by the IASB in May 2011

The new standard sets out the methodology for determining fair value and increases fair value disclosures. With IFRS 13, a framework for measuring fair value is now contained in a single IFRS. The requirements do not apply to share-based payment transactions within the scope of IFRS 2 "Share-based Payment," leasing transactions within the scope of IAS 17 "Leases," or other measurements required by other standards that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 "Inventories," or value in use in IAS 36 "Impairment of Assets."

The standard was applied prospectively for the first time in fiscal year 2013 in accordance with the transitional provisions. Accordingly, comparative information for the previous year has not been disclosed.

IAS 1 "Presentation of Financial Statements" – published by the IASB in June 2011

Under the revised IAS 1, other comprehensive income is classified into profit or loss that may be reclassified subsequently to profit or loss as income or expense or that will not be reclassified to profit or loss.

IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments: Disclosures" – offsetting financial assets and financial liabilities – published by the IASB in December 2011.

The additions to IAS 32 specify in more detail the conditions under which financial assets and financial liabilities must be offset. In addition, they clarify which gross settlement systems may be considered equivalent to net settlement within the meaning of the standard. The relevant disclosure requirements in IFRS 7 were also modified in line with these clarifications.

Amendments to IAS 36 "Impairment of Assets" – Recoverable Amount Disclosures for Non-financial Assets – issued by the IASB in May 2013

As part of the introduction of IFRS 13 "Fair Value Measurement," a new mandatory disclosure requirement relating to the goodwill impairment test was introduced in IAS 36. Under this standard, the recoverable amount of a cash-generating unit had to be disclosed regardless of whether an impairment had actually been recognized. Since this disclosure had been introduced inadvertently, it was removed again with the May 2013 amendment.

On the other hand, the amendment to IAS 36 introduces additional disclosure requirements for cases where an impairment has been recognized or reversed and for which the recoverable amount is determined on the basis of fair value.

Improvements to IFRSs 2011 – amendments under the IASB's annual improvement project – published by the IASB in May 2012

This collection of improvements was issued by the IASB in 2012 as part of its annual improvements process to make minor amendments to standards and interpretations (Annual Improvements Cycle). It comprises minor amendments to a total of five standards.

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" – published by the IASB in October 2011

The interpretation governs the accounting for waste removal costs incurred during the production phase of surface mining activity. It clarifies the conditions under which an asset has to be recognized for stripping activities and how such an asset must be measured.

1.5 Accounting pronouncements not yet applied

The following accounting standards and interpretations, as well as amendments to existing standards and interpretations, were published but not yet required to be applied to the preparation of the combined financial statements as of December 31, 2013.

Unless otherwise stated, the new standards and interpretations have been endorsed by the EU.

HX Group is currently examining the effects of the revised accounting standards on the combined financial statements and will determine the date of initial application. At this point in time, HX Group does not believe that application of the new or revised pronouncements will have a material effect on its combined financial statements.

IFRS 9 "Financial Instruments" – recognition and measurement of financial instruments – published by the IASB in November 2009

IFRS 9 is intended to replace the accounting treatment of financial instruments set out in IAS 39.

In the future, there will only be two classification and measurement categories for financial assets: at amortized cost or at fair value. Financial assets at amortized cost comprise those financial assets that give rise solely to payments of principal and interest at specified dates and are also held within a business model for managing financial assets whose objective is to hold those financial assets and collect the associated contractual cash flows. All other financial assets are classified as at fair value. Under certain circumstances, a fair value option is available for financial assets falling under the first category, as at present.

Changes in financial assets belonging to the fair value category must generally be recognized in profit or loss. However, an election can be made to measure certain equity instruments at fair value through other comprehensive income; in this case, dividend income from these assets is recognized in profit or loss. The provisions governing financial liabilities have basically been taken over from IAS 39. The most important difference relates to the treatment of changes in value of financial liabilities measured at fair value. In future, the amount of the change relating to changes in own credit risk must be recognized in other comprehensive income, while the remaining amount of the change in fair value is recognized in profit or loss.

IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" – changes to the mandatory effective date and transition disclosures – published by the IASB in December 2011.

The amendments no longer require restatement of prior-period figures upon initial application of IFRS 9. When an entity chooses to apply this exemption, additional disclosures are required under IFRS 7 to allow for assessment of the effects of the first-time application of IFRS 9.

Subject to its endorsement by the EU, which is still outstanding, the date of initial application of IFRS 9 was delayed to fiscal years beginning on or after January 1, 2015; earlier application is permitted. The mandatory effective date for IFRS 9 has in the meantime been delayed again by further pronouncements outlined below.

IFRS 9 "Financial Instruments" (Hedge accounting and amendments to IFRS9, IFRS 7, and IAS 39) – issued by the IASB in November 2013

The amendments focus on the introduction of a new general hedge accounting model in IFRS 9. This is intended to align hedge accounting more closely with the risk management system. The new model opens up further options to apply hedge accounting: In particular, groups of hedged items that meet the qualifying criteria individually, as well as net positions and nil net positions, may now be designated in a hedging relationship. Generally, every financial instrument carried at fair value is suitable to be a hedged item.

New requirements are being introduced in relation to the effectiveness of hedging relationships; stipulation of the ranges for the measurement of effectiveness is being dispensed with, so that a retrospective effectiveness test no longer has to be performed. The prospective effectiveness test as well as recognition of any ineffectiveness continue to be required.

A hedging relationship may only be terminated when the defined conditions for this are met; this means that it is mandatory to continue hedging relationships if risk management objectives remain unchanged.

Enhanced disclosures are required in relation to the risk management strategy, the effects of risk management on future cash flows, as well as the effects of hedge accounting on the financial statements.

In addition, accounting for own credit risk for financial liabilities under the fair value option in other comprehensive income is only possible in isolated cases, *i.e.*, without applying the other requirements in IFRS 9.

Provided the conditions and qualitative characteristics continue to be met, hedging relationships do not have to be terminated as a result of the transition from IAS 39 to IFRS 9. The existing requirements under IAS 39 may also, as an option, continue to be applied under IFRS 9.

Subject to its endorsement by the EU, which is still outstanding, the initial application of the new hedge accounting requirements follows the requirements concerning the initial application of IFRS 9.

When the new hedge accounting requirements were published, the mandatory effective date for IFRS 9 was also removed; IFRS 9 had previously been effective for fiscal years beginning on or after January 1, 2015. In addition, the IASB, at its November 2013 meeting, decided that mandatory application of IFRS 9 will at the earliest apply to fiscal years beginning on or after January 1, 2017.

IFRS 10 "Consolidated Financial Statements," IFRS 11 "Joint Arrangements," IFRS 12 "Disclosure of Interests in Other Entities," consequential amendments to IAS 27 "Separate Financial Statements," and IAS 28 "Investments in Associates" – revised standards on accounting for interests in other entities and the corresponding disclosures in the notes to the financial statements – published by the IASB in May 2011

IFRS 10 "Consolidated Financial Statements"

The new standard replaces the consolidation requirements of IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities." The new IFRS 10 affects the definition of the basis of consolidation. As currently required by IAS 27, consolidated financial statements must include those entities that are controlled by the parent. The definition of 'control' in IFRS 10 differs from that used in IAS 27. IAS 27 defines control as the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. Under IFRS 10, control exists when an investing entity is exposed, or has rights, to variable returns from involvement with the investee on the one hand, and has the ability to affect those returns through its power over the investee on the other. The new concept of control applies to all entities, including special purpose entities. It can lead to differing assessments, especially in cases of potential voting rights, agency relationships, and in situations where substantial, but not majority, voting rights are held. No material impact is expected from the new requirements, because, as a rule, HX Group has control, directly or indirectly, of all voting rights in its consolidated entities.

IFRS 11 "Joint Arrangements"

The new standard supersedes IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Nonmonetary Contributions by Venturers." In contrast to IAS 31, accounting for joint arrangements under IFRS 11 depends not on the legal form of the arrangement but on the nature of the rights and duties arising under the arrangement. IFRS 11 makes a distinction between joint operations and joint ventures. Joint operations are joint arrangements in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In line with this, these parties account for their shares of the respective assets, liabilities, income, and expenditure as they did previously. A joint venture exists when the parties with joint control have rights to the net assets of the arrangement. Joint ventures now have to be accounted for using the equity method. The previous option to account for joint ventures using proportionate consolidation has been removed. HX Group does not expect the implementation of these new requirements to materially affect its financial reporting.

IFRS 12 "Disclosure of Interests in Other Entities"

The new standard revises the disclosure requirements for all types of interests in other entities, including joint arrangements, associates, structured entities, and off-balance sheet vehicles. The objective is to help users of financial statements to understand the nature of, and risks associated with, the entity's interest in other entities, and the effects of these interests on its financial positions, financial performance, and cash flows.

IAS 27 "Separate Financial Statements"

Following publication of the new IFRS 10, the revised IAS 27 now only contains the requirements governing accounting for subsidiaries, joint ventures, and associated companies in separate financial statements prepared according to IFRSs.

IAS 28 "Investments in Associates"

The changes contained in IAS 28 arise from the publication of IFRS 10, IFRS 11, and IFRS 12. In addition, under the revised version of the standard, an investment in or portion of an associate or joint venture must be classified as held for sale if the criteria of IFRS 5 are met. Any remaining portion of the associate or joint venture must be accounted for using the equity method until the portion classified as held for sale has been disposed of.

The new IFRS 10, 11, and 12, and revised IAS 27 and IAS 28 standards are required to be applied for the first time retroactively in the first period of a fiscal year beginning on or after January 1, 2013. The new IFRS 10, 11, 12, and revised IAS 27 and IAS 28 must all be applied at the same time.

In the EU, the new IFRS 10, 11, and 12, and the revised IAS 27 and IAS 28 are required to be applied for the first time for fiscal years beginning on or after January 1, 2014 – contrary to the date of initial application of the original standards; earlier application is permitted.

In June 2012, the IASB published clarifications and revised transitional arrangements for the first-time application of IFRS 10, 11, and 12. The amendments are required to be applied for fiscal years beginning on or after January 1, 2014 – contrary to the date of initial application of the original standards.

In October 2012, the IASB added a definition of investment entities to IFRS 10 and introduced an exception to the mandatory consolidation of these entities. The associated consequential amendments to IFRS 12 and IAS 27 (2011) introduce additional disclosures on investment entities. Contrary to the date of initial application of the original standards, these amendments are required to be applied for the first time for fiscal years beginning on or after January 1, 2014.

IFRS 14 "Regulatory Deferral Accounts" – issued by the IASB in January 2014

There is currently no standard in IFRS that addresses the accounting for rate-regulated activities. If rate regulation leads to a situation where expenditure in the current fiscal year has an effect on the rates of an entity may charge in future fiscal years, this may result in economic benefits or disadvantages for the entity. In some countries, national GAAP permits or requires that such economic benefits are capitalized or deferred.

The new standard aims to improve the comparability between financial statements of entities that engage in rate-regulated activities. IFRS 14 permits a first-time adopter of IFRSs to continue to present rate-regulated activities in accordance with its previous GAAP accounting policies applied on transition to IFRSs. However, effects from the capitalization or deferral of economic advantages must then be reported separately. As the IASB is currently carrying out a project on accounting for rate-regulated activities, IFRS 14 represents an interim solution. Subject to endorsement by the EU, IFRS 14 must be applied by first-time adopters of IFRSs from January 1, 2016; earlier application is permitted.

Amendments to IAS 19 "Employee benefits" – "Defined Benefit Plans: Employee Contributions" – issued by the IASB in November 2013

The amendments concern requirements relating to contributions from employees or third parties that are linked to service and clarify the corresponding requirements for attributing such contributions to periods of service. In addition, the accounting for contributions that are independent of the number of years of service has been simplified. Subject to their endorsement by the EU, which is still outstanding, the amendments will be required to be applied retrospectively for the first time in fiscal years beginning on or after July 1, 2014; earlier application is permitted.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting – issued by the IASB in June 2013

As a result of the amendments to IAS 39, derivatives will still continue to be designated as hedging instruments in a hedging relationship when the hedging instrument is novated to a central counterparty. For this to apply, the central counterparty must become involved as a result of legal or regulatory requirements. The amendments to IAS 39 are required to be applied retrospectively for the first time for fiscal years beginning on or after January 1, 2014; earlier application is permitted.

Improvements to IFRSs 2012 and Improvements to IFRSs 2013 – amendments under the IASB's annual improvement project – issued by the IASB in December 2013

The collections of improvements arise from the IASB's annual improvements process to make minor amendments to standards and interpretations (Annual Improvements Cycle). They comprise minor amendments to a total of seven (Improvements to IFRSs 2012) and four (Improvements to IFRSs 2013) standards. Subject to their endorsement by the EU, which is still outstanding, the requirements of both collections of improvements will be required to be applied in fiscal years beginning on or after July 1, 2014, whereby initial application will be mainly prospective.

IFRIC 21 "Levies" – issued by the IASB in May 2013

This new interpretation provides more specific guidance on the general accounting principles for liabilities to pay levies set out in IAS 37. IFRIC 21 defines a levy as an outflow of resources embodying economic benefits that is imposed by governments. Payment of the levy is due to the unilateral obligation resulting from the sovereign rights of the government. Payments attributable to contractual arrangements between a government and an entity, fines and penalties, as well as payment obligations that are governed by other standards such as IAS 12 "Income Taxes" do not fall within the scope of IFRIC 21.

Subject to endorsement by the EU, IFRIC 21 must be applied retrospectively for fiscal years beginning on or after January 1, 2014; earlier application is permitted.

2. Accounting policies

2.1 Description of accounting policies

Definition of the combined HX Group

HX Group's combined financial statements include all significant companies in which HX Group directly or indirectly holds the majority of voting rights or is otherwise able to directly or indirectly control the financial and operating policy decisions. Companies are consolidated from the date on which HX Group obtains the ability to control them. They are deconsolidated from the date on which control is lost.

Acquired companies are accounted for using the purchase method. The consideration paid is measured on the basis of the fair value of the assets received, the liabilities assumed to the seller, and the equity instruments issued at the transaction date. The identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are recognized at their fair value at the transaction date, irrespective of any non-controlling interests. Any contingent consideration agreed is recognized at fair value at the acquisition date. Subsequent changes in fair value are recognized in profit or loss.

The excess of cost over the share of the fair value of the company's net assets acquired is recognized as goodwill. If, after a further examination, cost is lower than the share of the fair value of the subsidiary's acquired net assets measured at fair value, the difference is recognized as a gain in profit or loss.

Receivables, liabilities, income, and expenses are eliminated, as are profits and losses from transactions between HX Group companies.

If individual HX Group companies have a different reporting date, they are included on the basis of interim financial statements as of the respective reporting date.

The composition of HX Group changed as follows in fiscal year 2013:

Number of companies	2013	2012
Combined group as of January 1	**70**	**75**
German companies	14	14
Foreign companies	56	61
Initial consolidation	4	2
Merger	(2)	(3)
Liquidation	—	(1)
Deconsolidation	—	(3)
Additions	1	—
Disposals	(6)	—
Combined group as of December 31	**67**	**70**
German companies	13	14
Foreign companies	54	56

The additions to and disposals of companies are attributable to the fact that all of the assets and liabilities attributable to the companies and the companies themselves will not be included in the planned separation of HX Group from GEA Group (see also section 8.3.1) The following companies were recognized as additions or disposals:

Additions:
GEA Industriebeteiligungen GmbH

Disposals:
GEA Heat Exchangers Oy
GEA Heat Exchangers GmbH
GEA Canada Inc.
GEA Power Cooling de Mexico S. de R.L. de C.V.
GEA Erste Kapitalbeteiligungen GmbH & Co. KG
GEA ATG UK Holdings Limited

A total of 18 companies (prior-year reporting date: 23) were not consolidated since their effect on the net assets, financial position, and results of operations reported in the combined financial statements is not material even when viewed in the aggregate. Their consolidated revenue amounts to 0.2 percent (previous year: 1.0 percent) of the aggregate revenue, while their earnings account for 0.3 percent (previous year: 0.6 percent) of recognized earnings before tax, and their equity for 0.4 percent of combined equity (previous year: 0.7 percent). The subsidiaries are measured at cost and recognized as non-current other financial assets, as their fair value cannot be determined with sufficient certainty.

A complete list of all companies and joint ventures included in the Combined Financial Statements can be found in section 11.

Interests in joint ventures

Investments in material companies over which significant influence can be exercised are accounted for using the equity method at the group's share of adjusted equity. They are initially recognized at cost. Their share of the profit or loss is recognized and presented separately in the combined income statement. The share of income and expenses recognized outside profit or loss is reported directly in other comprehensive income. If HX Group's share of a loss exceeds the carrying amount of the net investment in the company, no further losses are recognized. Any goodwill arising on acquisition is included in the carrying amount of the investment.

The group exercised the option to account for interests in joint ventures using the equity method.

As of the reporting date, 5 investments in joint ventures were accounted for in the combined financial statements (previous year: 5).

Currency translation

The HX Group companies prepare their annual financial statements on the basis of their respective functional currencies.

Foreign currency transactions entered into by companies included in the combined financial statements are translated into the functional currency at the exchange rate prevailing at the transaction date. Monetary assets and liabilities are translated at the applicable exchange rate at each reporting date. The exchange rate gains and losses resulting from these items are generally reported in the income statement under other income or expenses.

All financial statements of companies whose functional currencies differ from the functional currency are translated into the functional currency used in HX Group's combined financial statements. The assets and liabilities of the companies included in the combined financial statements are translated at the middle rates prevailing at the reporting date. The income statements of these companies are translated at the average rates for the period under review. If these average rates are not a reasonable approximation of the actual transaction rates, the income statements are translated at the relevant transaction rates. Any translation differences are recognized and subsequently adjusted in other comprehensive income.

Goodwill from the acquisition of foreign companies is translated at the closing rate as an asset attributable to these companies.

Property, plant and equipment

Items of property, plant and equipment are recognized at cost less cumulative depreciation and impairment losses, plus reversals of impairment losses.

Expenses for major regular maintenance are amortized over the remaining useful life of the asset concerned or over the period to the next maintenance date.

The carrying amount of items of property, plant and equipment is reviewed if it is likely to have been impaired by events or changes in circumstances. An impairment test is performed by comparing the asset's carrying amount with its recoverable amount. The recoverable amount is defined as the higher of internal value in use and fair value less costs to sell (net realizable value). Fair value is primarily determined on the basis of the current local market price for used machinery or commercial real estate. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. To assess impairment, assets are grouped at the lowest level for which separate cash flows can be identified. If the reason for the impairment subsequently ceases to apply, the impairment loss is reversed up to a maximum of the amortized historical cost.

Leases

Leases are agreements granting the right to use an asset for a defined period in return for a payment. Leases are accounted for as finance leases if substantially all the risks and rewards incidental to using the leased asset and therefore beneficial ownership are attributable to the lessee. As a result, the HX Group companies that, as lessees, bear substantially all the risks and rewards associated with the leased asset recognize the asset at the lower of fair value or the present value of minimum lease payments, and depreciate the asset in subsequent periods over the shorter of the lease term or the asset's estimated useful life. A corresponding liability is recognized, which is amortized in the following periods using the effective interest method. Payments to the lessor are divided into an interest and a principal repayment element, with the interest element being recognized in profit or loss over the lease term as a continuous interest payment on the residual lease liability. All other leases under which HX Group is a lessee are treated as operating leases. In these cases, the lease payments are recognized as an expense using the straight-line method.

Lease transactions under which HX Group companies are the lessor and substantially all the risks and rewards associated with the leased asset are transferred to the lessee are accounted for as sales and financing business. A receivable is reported in the amount of the net investment under the lease. The interest income subsequently generated is recognized in profit or loss. All other lease transactions under which HX Group is the lessor are treated as operating leases. In this case, the asset leased for use remains on the balance sheet and is depreciated. The lease payments are recognized as income using the straight-line method over the term of the lease.

Goodwill

Goodwill arising from business combinations in which an HX company acts as the purchaser is recognized as an intangible asset.

Goodwill is tested for impairment at the level of HX Group's segments, which have been identified as cash-generating units. For the purposes of impairment testing, the goodwill arising from the recognition of business combinations is allocated to the segments that are expected to benefit from the synergies generated by the business combination. If more than one segment profits from an acquisition, the allocation is carried out using an appropriate allocation key.

Goodwill is tested for impairment at the level of the HX Group segments, which have been identified as a cash-generating units, once a year at the end of the fiscal year and if there are any indications of impairment. The recoverable amount of a segment is compared with the carrying amount including goodwill. The recoverable amount corresponds to the higher of internal value in use and fair value less costs to sell.

An impairment loss initially reduces the carrying amount of goodwill. Any amount exceeding goodwill is allocated proportionately to the carrying amounts of non-current non-financial assets.

The value in use of the individual business units is calculated annually at the end of the fiscal year using the discounted cash flow method. It is only necessary to estimate a selling price if the value in use is less than the carrying amount.

Other intangible assets

Other intangible assets include both internally generated and purchased assets. Internally generated intangible assets comprise capitalized development costs. In addition to contract-based rights, purchased intangible assets mainly contain technologies, brand names, and customer relationships. Technologies, brand names, and customer relationships are usually acquired in connection with takeovers. Internally generated and purchased intangible assets are recognized at cost.

If the useful life of an intangible asset can be determined, the asset is amortized on a straight-line basis over its useful life. Intangible assets whose useful life cannot be determined are recognized at cost.

The carrying amount of an intangible asset is reviewed if it is likely to have been impaired by events or changes in circumstances. Intangible assets with an indefinite useful life are tested for impairment at least once a year. This requires the recoverable amount of the assets to be determined. The recoverable amount corresponds to the higher of internal value in use and fair value less costs to sell. If the carrying amount is higher than the recoverable amount, the asset is written down to the recoverable amount. Previously recognized impairment losses are reversed if the reasons for the impairment no longer apply. Impairment losses are reversed up to a maximum of the amortized historical cost.

Indefinite-lived intangible assets are also examined each year to determine whether the classification of the asset as indefinite-lived can be retained. Any change to a finite useful life is applied prospectively.

Other financial assets

Other financial assets include investments in unconsolidated subsidiaries and other equity investments, other securities, financial receivables (except trade receivables), and derivative financial instruments.

Shares in unconsolidated subsidiaries and other equity investments are allocated to the "available-for-sale financial assets" measurement category. They are measured at cost because the shares in these corporations are not traded in an active market and their fair value cannot be reliably measured. This is due to the significant margin of fluctuation for fair value measurement; the probabilities of the various estimates cannot be reliably determined within the margin of fluctuation. A reliable fair value can only be determined during sale negotiations. The group does not intend to sell these financial assets.

Securitized debt instruments that are intended to be held to maturity are allocated to the "held-to-maturity investments" measurement category and measured accordingly at amortized cost using the effective interest method. All other securities are measured at fair value and any fluctuations in value are recognized directly in other comprehensive income. These instruments are only allocated to the "available-for-sale financial assets" measurement category if no other category applies.

Financial receivables are allocated to the "loans and receivables" measurement category and measured at amortized cost using the effective interest method.

Derivative financial instruments are used exclusively for hedging purposes, in particular to hedge currency risk, which arises mainly from sales and procurement transactions. They are always carried at fair value. If derivative financial instruments are not included in a documented hedging relationship, they are allocated to the "financial assets at fair value through profit or loss" measurement category, and their fair value changes are recognized in the income statement. If the derivative financial instruments included in a recognized hedging relationship are used to hedge future cash flows, the fair value fluctuations are recognized in other comprehensive income.

Embedded financial derivatives are separated from their host contracts if certain qualifying criteria relating to their recognition and measurement are met.

Financial assets are recognized as soon as HX Group receives a cash payment or has the right to receive cash flows. In the case of regular way sales of non-derivative financial assets, the settlement date, *i.e.*, the delivery date of the financial assets, is decisive. Assets are derecognized as soon as the right to receive cash payments or other financial assets expires as a result of payment, waiver, statutory limitation, offsetting, or any other factor, or the right is transferred to another person, with the risks passing in full to the purchaser. In the case of regular way sales of non-derivative financial assets, the settlement date is taken to be the date of derecognition, in line with the principle used for recognition.

Items are originally recognized at fair value, in the case of financial assets not measured at fair value through profit or loss, including directly attributable transaction costs.

Financial assets or groups of financial assets are tested for indications of impairment at each reporting date. Impairment losses are recognized in the income statement. Financial assets are impaired if, following one or more events that occurred after initial recognition of the asset, there is objective evidence that the expected future cash flows have declined. Objective evidence of impairment may be, for example, significant financial difficulties of the debtor or payment default. In the case of financial assets measured at amortized cost (*e.g.*, unquoted equity instruments), the impairment loss corresponds to the difference between the carrying amount of the financial instrument and the present value of the future cash flows discounted at the original effective interest rate.

If the reasons for impairment no longer apply, impairment losses on financial assets – with the exception of equity instruments – are reversed to income up to the amount of the amortized cost that would have applied if no impairment loss had been charged.

Recognized hedging relationships (hedge accounting)

At the time they are entered into, derivative financial instruments that are included in a recognized hedging relationship are designated as a hedge of future cash flows in connection with assets and liabilities and highly probable forecast transactions (cash flow hedge).

If derivatives are used to hedge future cash flows, the effective portion of the change in the derivative's fair value is recognized in other comprehensive income. The ineffective portion of the change in fair value is reported as a gain or loss. The item recognized in other comprehensive income arising from the effective portion of the change in fair value is recognized in the income statement as soon as the hedged item is settled. If settlement of the hedged item leads to the recognition of a non-financial asset, the changes in value previously recognized in other comprehensive income are offset against the cost of the non-financial asset. If, contrary to previous assumptions, the hedged transaction is not executed, the changes in value previously recognized in equity are reversed directly to profit or loss.

HX Group predominantly uses cash flow hedges to hedge foreign currency exposures. HX Group also enters into hedging transactions in accordance with GEA Group's risk management principles that offer economic hedges of existing risks, but do not meet the strict hedge accounting requirements of IAS 39. Currency forwards that are used to hedge currency risk arising from monetary assets and liabilities are not aggregated into a recognized hedging relationship. Effects arising from the translation of balance sheet items that are recognized in the income statement are largely offset by changes in the fair values of currency forwards that are also recognized in the income statement.

Deferred taxes

Deferred tax assets and liabilities are recognized for all temporary differences between the carrying amounts in the respective national tax accounts and those in the IFRS financial statements that are included in the combined financial statements. Deferred tax assets are also recognized for tax loss carryforwards. Deferred tax assets arising from deductible temporary differences and tax loss carryforwards are recognized only to the extent that there is likely to be sufficient taxable income available in future.

No deferred tax liabilities are recognized on temporary differences arising from investments in companies, associates, or joint ventures as long as the reversal of temporary differences is unlikely in the foreseeable future and the reporting entity is able to control the timing of the reversal of the temporary differences.

Inventories

Inventories are recognized at the lower of cost and net realizable value. Acquisition cost is calculated at average cost or using the first-in, first-out (FIFO) method. Production cost includes direct costs plus materials and production overheads, depreciation, and production-related administrative costs. Net realizable value is calculated as the estimated sale proceeds less costs incurred until completion, and selling expenses. Previously recognized impairment losses must be reversed if the reasons for the impairment no longer apply. Impairment losses are reversed up to a maximum of the amortized historical cost.

Trade receivables

Trade receivables include no interest component and are recognized in the balance sheet at their principal amount less appropriate allowances for bad debts.

Trade receivables that are sold to financial services companies under factoring agreements are derecognized once substantially the majority risks and rewards have been transferred to the financial services company.

Construction contracts

Receivables and revenues from construction contracts are recognized using the percentage of completion (PoC) method.

The percentage of completion is determined using the cost-to-cost method, which is derived from the ratio of contract costs incurred to the total estimated contract costs. Contracts are measured at production cost plus a profit in proportion to the stage of completion. Losses on construction contracts are immediately recognized in full in the fiscal year in which they are identified, regardless of the stage of completion. If the contract costs incurred and the gains or losses recognized exceed the progress billings, the excess amount is capitalized and reported under "trade receivables." If the progress payments received exceed the capitalized costs and recognized gains or losses at the reporting date, they are reported as a liability under "other liabilities." Advance payments on construction contracts are reported separately as a liability.

If the contract margin cannot be estimated reliably, revenue is recognized only in the amount of the contract costs incurred (zero-profit method). A profit is only recognized once the contract margin can be estimated reliably.

Payments for differences in the overall contract, claims, and premiums are included in the contract revenue insofar as these will probably result in revenue that is capable of being estimated reliably.

Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits, and financial assets that can be converted into cash at any time and that are subject to only slight fluctuations in value. They are recognized at fair value.

Assets held for sale and liabilities associated with assets held for sale

Non-current assets or groups of assets classified as "held for sale" within the meaning of IFRS 5 are recognized at the lower of carrying amount and fair value less costs to sell. Classification as "held for sale" is made when the carrying amount of a non-current asset or disposal group will be recovered principally through a sale transaction rather than through continuing use, and the criteria defined in IFRS 5 have been met overall. The corresponding assets as well as the liabilities of a disposal group are reported separately in the balance sheet as "assets held for sale" and "liabilities held for sale." On initial classification as held for sale, non-current assets or assets and liabilities allocated to disposal groups are first measured in accordance with the applicable IFRSs. They are measured at the lower of their carrying amount and fair value less costs to sell, with disposal groups being measured as a whole. As the carrying amount of held-for-sale depreciable assets is principally realized by the disposal rather than the use of these assets, they are no longer depreciated once they have been reclassified.

Equity

Due to the preparation of the combined financial statements, HX Group's equity is reported differently to the method provided for in IAS 1. The items "net assets attributable to GEA Group AG," "accumulated other comprehensive income," and "non-controlling interests" are presented in the standard format for reporting equity in combined financial statements. Net assets attributable to GEA Group AG include the share capital, capital reserves, and retained earnings of HX Holding GmbH and GEA Air Treatment GmbH and other companies (see the list of companies included in the combined financial statements in section 11). For all other companies within HX Group, the carrying amount of the investments in companies that are held by HX Group and the share in the net equity of each company have been consolidated. The net assets attributable to HX Group also include the undistributed profits of companies that belong to HX Group (less interim dividends paid out of the net income for the fiscal year), as well as actuarial gains and losses from defined benefit pension plans.

Changes in equity outside profit or loss are reported in the "accumulated other comprehensive income" item if they do not relate to capital transactions with shareholders. These comprise the gains or losses on financial assets measured at fair value and recognized directly in equity, the effective portion of the change in fair value of derivatives designated as cash flow hedges, and exchange rate gains or losses from the translation of the financial statements of foreign companies.

Obligations under pension plans

Obligations under pension plans relate to post-employment benefit obligations. Defined benefit obligations are calculated using the projected unit credit method. The present value of these obligations reflects expected future salary and pension trends, since the entitlements earnable in the period up to the retirement age depend on these. The pension obligations are measured on the basis of actuarial reports by independent actuaries.

In order to provide these pension benefits, certain financial assets are held in long-term funds outside HX Group and qualifying insurance policies. Insofar as the entitlements are funded by such external assets (plan assets), their fair value is offset against the present value of the defined benefit obligation. The resulting net amount is reported under non-current employee benefit obligations or other non-current financial assets (net carrying amount).

Actuarial gains and losses from the remeasurement of the net carrying amount are recognized in other comprehensive income in the year in which they arise and reported in retained earnings after adjustment for tax effects. This also applies to the recognition of the difference between the actual returns on plan assets and the expected return calculated using the discount rate. Costs from unwinding the discount on the net carrying amount are recognized in interest expenses; income is recognized in interest income. Current and past service cost for the period, as well as gains and losses from settlements, are recognized in the relevant function costs.

Other employee benefit obligations

Other employee benefit obligations comprise other long-term benefits and all short-term benefits. The short-term obligations from short-term employee benefits are expected to be paid in full no more than 12 months after completion of the service rendered. They include wages, salaries, social insurance contributions, paid vacation, and profit-sharing schemes. They are recognized as an expense at the same time as the work is remunerated. Any expenditure in excess of the payments already made is reported as a deferred liability at the reporting date. Other long-term employee benefits, such as jubilee payments or partial retirement arrangements, are recognized at the actuarial present value of the obligation at the reporting date. Securities are pledged to the beneficiaries to protect vested partial retirement credits against the employer's insolvency. The fair value of these securities is offset against the corresponding liability.

Provisions

Provisions for uncertain liabilities are recognized where there is a legal or constructive obligation to a third party, a future outflow of resources is likely, and the expected settlement value can be estimated reliably. The present value of the settlement amount is recognized if the time value of money is material. Amounts are discounted at the market rates for the appropriate maturity and currency. The interest unwinding costs are presented under interest expense.

The cost of creating warranty provisions is included in the cost of sales when revenue is recognized. In all other cases, provisions are recognized when the product is accepted. The provision is measured on the basis of both the warranty cost actually incurred in the past and on the evaluated overall risk inherent in the system or product. Provisions are also recognized if a claim is made under a warranty and a loss is likely. Recourse claims against suppliers are capitalized if their services are subject to a warranty and it is highly likely that the claim can be enforced.

Provisions for expected losses from onerous contracts are recognized if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs also include the unavoidable overheads needed to meet the obligations.

Financial liabilities

Financial liabilities comprise liabilities to GEA Group AG, liabilities to banks, and liabilities under finance leases, in particular. They are initially recognized at fair value less transaction costs. They are subsequently measured at amortized cost using the effective interest method. Liabilities under finance leases are initially measured at the lower of the fair value of the leased asset and the present value of minimum lease payments.

Other liabilities

The recognition and subsequent measurement of other liabilities is the same as for financial liabilities, with the exception of advance payments and the gross amount due to customers for contract work. Advance payments are stated at their principal amount. Please see the information provided on the recognition of construction contracts for the measurement of the gross amount due to customers for contract work.

Trade payables

Trade payables also include liabilities for goods received or services rendered that have not yet been invoiced, as there is only slight uncertainty as to the amount of the liability. Trade payables are recognized at fair value. This corresponds to the settlement amount in the case of liabilities due within one year.

Revenue recognition

Revenue from the sale of goods is recognized when the risks and rewards inherent in ownership of the goods sold are transferred to the customer. This normally occurs when the goods are handed over to the customer. Revenue from services is recognized when the service is rendered. Revenue is measured at the fair value of the consideration received or to be received. Customer bonuses, discounts, or rebates reduce the amount of revenue recognized.

Revenue from construction contracts is generally recognized using the percentage of completion method under which revenue is recognized in accordance with the stage of completion. The stage of completion is determined using the ratio of contract costs incurred as of the reporting date to the total estimated contract costs as of the reporting date (cost-to-cost method). Contract costs include direct costs plus materials and construction overheads, depreciation, production-related administrative costs, and such other costs that are specifically chargeable to the customer under the terms of the contract. Where a construction contract is settled over a long period and where the contract is largely financed by HX Group, contract costs also include directly attributable borrowing costs. Conversely, income from the investment of advance payments received is offset against contract costs where this has a material influence on the contract margin. Adjustments are made for amendments to contracts, claims, and premiums insofar as these will probably result in revenue that is capable of being reliably estimated.

In line with the percentage of completion method, construction contracts are measured as the contract costs incurred as of the reporting date plus the profit attributable to the proportion of work completed. Revenue recognized is reported under trade payables, less progress billings. If the outcome of a construction contract cannot be reliably estimated, the probable recoverable revenue is recognized up to the amount of the costs incurred. Contract costs are recognized as an expense in the period in which they are incurred. If it is foreseeable that the total contract costs will exceed the contract revenue, the expected loss is recognized as an expense immediately.

Interest income is recognized ratably over the remaining maturity based on the effective interest rate and the amount of the remaining receivable. Dividend income on equity instruments is recognized if the right to receive payment is based on legally assertable claims.

Revenue from royalties is recognized in the period in which it arises in accordance with the underlying contracts.

Share-based payment

HX Group participates in a GEA Group AG share-based payment program under which selected managers are granted performance shares that are linked to the performance of GEA Group shares. The fair value of these rights is calculated at the grant date and allocated as an expense over the vesting period using the straight-line method; a corresponding provision is recognized. The provision is remeasured at each reporting date and at the payment date. Changes in the fair value of the provision are recognized in profit or loss (see section 5.3.3).

In addition, one HX Group company grants its employees options on shares of the company via a trustee. The cost of this share-based payment is estimated at the grant date and amortized using the straight-line method up to the exercise date (see section 5.1).

Research and development

Research expenditures are recognized immediately as an expense. Development costs that are designed to significantly enhance a product or process are capitalized if completion of the product or process is technically and economically feasible, the development is marketable, the expenditures can be measured reliably, and adequate resources are available to complete the development project. All other development expenditures are recognized immediately as expenses. Capitalized development expenditures for completed projects are reported at cost less cumulative amortization and impairment losses. Capitalized development costs for intangible assets not yet available for use are tested for impairment once a year.

Development costs that are required under construction contracts are capitalized as part of the cost of the asset.

Government grants

Government grants are recognized at fair value provided that HX Group meets the conditions necessary to receive the grant. Government grants to cover expenses are recognized over the period in which the costs for which the grants were awarded are incurred. Government grants for capital expenditure are deducted from the cost of purchasing the corresponding asset.

2.2 Estimates and management judgment

Preparation of financial statements requires management to make certain estimates and exercise judgment that may affect the company's assets, liabilities, provisions, and deferred tax assets and liabilities, as well as its income and expenses and contingent liabilities.

Factors that may cause amounts to fall below estimates might include a deterioration in the global economy, movements in exchange rates and interest rates, as well as material litigation and changes in environmental or other legislation. Production errors, the loss of key customers, and rising borrowing costs may also adversely affect HX Group's future performance.

The recognition and measurement of the following assets and liabilities are in some cases based on management judgment. All assumptions represent the best of management's knowledge and belief in order to convey a true and fair view of the company's net assets, financial position, and results of operations. If actual circumstances subsequently differ from those forecast, this will affect the recognition and measurement of assets and liabilities. Depending on the item concerned, earnings may also be affected.

Basis of consolidation

Management judgment was applied in defining the basis of consolidation and the composition of HX Group (see section 2.1).

Acquisitions

Goodwill is reported in the balance sheet as a result of acquisitions. When an acquired company is initially consolidated, all its identifiable assets, liabilities, and contingent liabilities are recognized at their acquisition-date fair value. A basic problem is estimating these fair values. As a rule, land and buildings are measured on the basis of independent appraisals. If intangible assets are identified, their fair values are calculated using an appropriate measurement method. These measurements are made on the basis of assumptions by management with respect to the future value of the relevant assets and the discount rate. Obligations for contingent consideration are recognized on the basis of the current planning.

Goodwill

Goodwill from companies acquired by HX Group is tested for impairment annually. Goodwill is tested for impairment at the level of the HX Group segments, which have been identified as cash-generating units. Value in use is calculated using assumptions by management (see section 4.2).

Taxes

HX Group operates in a large number of countries and is therefore subject to different tax jurisdictions. Calculating tax liabilities requires management to make various estimates. Management believes that it has made a reasonable estimate of tax uncertainties. However, no assurance can be given that the actual outcome of these uncertainties will correspond to the estimates made. Any deviations may have an impact on the level of tax liabilities or deferred taxes in the year of the decision.

When assessing the recoverability of deferred tax assets, management judges the extent to which realization of the deferred tax assets is sufficiently likely. The question of whether the deferred tax assets can actually be realized depends on whether sufficient future taxable income can be generated against which the temporary differences or tax loss carryforwards can be offset. Management therefore analyzes the times at which the deferred tax liabilities reverse, and expected future taxable income. Management forecasts whether deferred tax assets can be realized on the basis of expected future taxable income. Deferred tax assets decline if the estimate of planned taxable income decreases, if tax benefits available as a result of tax strategies are reduced, or the amount or timing of future tax benefits is restricted by changes in the law (see section 6.7).

Provisions and contingent liabilities

Changes in estimates of the probability of a present obligation or of an outflow of resources embodying economic benefits could mean that items previously classified as contingent liabilities must be reported as provisions, or that the amount of provisions must be adjusted (see section 5.2).

Obligations under pension plans

The present value of pension obligations depends on actuarial assumptions. These assumptions comprise discount rates, expected wage and salary increases, as well as the pension increase rate and mortality rates. These assumptions could differ significantly from actual future outcomes as a result of changes in market and economic conditions, and could therefore have a material effect on the level of the obligation and the related expenses.

The discount rate of the net carrying amount is calculated at the end of each year. This is the rate used to calculate the present value of future cash outflows expected to be required to settle the obligation. In order to calculate the discount rate, HX Group uses the interest rate on high-quality corporate bonds denominated in the same currency in which the benefits are paid and whose terms to maturity correspond to those of the pension obligations.

Other significant assumptions relating to pension obligations are partly based on market conditions (see section 5.3.1).

Construction contracts

The recognition of construction contracts using the percentage of completion method is based on management's estimates of the cost of such contracts. Changes in estimates or differences between the estimated cost and the actual cost have a direct effect on recognized earnings from construction contracts. The operating units continuously review the estimates and adjust them if required.

Litigation

In some cases, HX Group companies are parties to litigation. The outcome of this litigation could have a material effect on HX Group's net assets, financial position, and results of operations. Management regularly analyzes current information on these legal disputes and recognizes provisions for probable obligations, including estimated legal costs. Both internal counsel and external lawyers are used to make this assessment. When deciding on the need to recognize provisions, management takes into account the probability of an unfavorable outcome and its ability to estimate the amount of the obligation with sufficient reliability. The filing of a suit or the formal assertion of a claim against a HX Group company does not necessarily mean that a provision must be recognized for the related risk (see section 7.3).

3. Financial risk management

GEA Group AG's Executive Board has put in place an effective set of guidelines to manage and hence largely limit or hedge financial risks throughout the group. The objectives with regard to protecting assets, eliminating gaps in security, and improving efficiency in identifying and analyzing risks are clearly defined, as are the relevant organizational structures, powers, and responsibilities. The guidelines are based on the principles of system security, the separation of functions, transparency, and immediate documentation. The guidelines are also applicable to HX Group companies.

Because it operates worldwide, HX Group is exposed to currency, interest rate, commodity price, credit, and liquidity risk in the course of its ordinary activities. HX Group's financial risk management, which is integrated into GEA Group's financial risk management, aims to reduce this risk through the appropriate use of derivative and non-derivative hedging instruments.

Currency risk

Because HX Group operates internationally, its cash flows are denominated not only in euros, but also in a number of other currencies, particularly U.S. dollars and Chinese renminbi. Hedging the resulting currency risk is a key element of risk management.

The group guideline of GEA Group also requires all HX Group companies to hedge foreign currency items as they arise in order to fix prices on the basis of hedging rates. Currency risks are hedged for hedged items recognized in the balance sheet, unrecognized firm commitments, and highly probable forecast transactions. The hedging periods are determined by the maturity of the hedged items and are usually up to 12 months, but in exceptional cases may exceed that period significantly. Despite the hedging requirement, changes in exchange rates may affect sales opportunities outside the eurozone.

HX Group companies based in the eurozone are obliged to tender to GEA Group AG's central finance unit all outstanding exposures relating to transactions in goods and services in major transaction currencies. Most of these exposures are passed on directly to banks at matching maturities, depending on the hedging objective of the derivatives and the related accounting treatment. At the same time, corresponding derivative transactions are entered into between GEA Group AG and the company concerned. They may also be hedged as part of a portfolio. The hedging of financial transactions and transactions conducted by HX Group companies outside the eurozone is also closely coordinated with the GEA Group AG's central finance unit.

Interest rate risk

HX Group mainly raises and invests liquidity through internal group cash pools and internal loans from or to GEA Group AG. Interest rate risk is managed by GEA Group AG.

Commodity price risk

As part of its operating activities, HX Group requires various raw materials, whose purchase prices can be subject to substantial fluctuations depending on the market situation. Long-term supply agreements have been entered into with various suppliers in order to reduce commodity price risk.

Credit risk

Financial instruments are exposed to credit risk in that the other party to the contract may fail to fulfill its obligations. The counterparty limit system used by GEA Group for financial management, which also applies to the HX Group companies, aims to continuously assess and manage the counterparty default risk. A maximum risk limit has been defined for each counterparty, which in most cases is derived from the ratings from recognized credit rating agencies and credit default swaps (CDSs). Appropriate action is taken if the individual limit is exceeded.

The financial standing of potential customers is ascertained by GEA Group AG's financial management before orders are accepted using an internal risk board procedure. Active receivables management, including nonrecourse factoring and credit insurance, is also performed. In the case of export transactions, confirmed and unconfirmed letters of credit can be used alongside sureties, guarantees, and cover notes, including from export credit agencies such as Euler Hermes. In addition to local monitoring by the HX Group company in question, GEA Group AG also oversees the main credit risks at GEA Group management level so that any accumulation of risk can be more efficiently managed.

Since trade receivables are usually due from a large number of customers in different sectors and regions, there is no concentration of risk. Valuation allowances take account of specific credit risks.

Derivative financial instruments are entered into – either directly by HX Group companies or indirectly through GEA Group AG – only with reputable financial institutions so as to reduce the credit risk involved.

The maximum exposure for the financial assets is limited to their carrying amount.

Liquidity risk

HX Group is exposed to liquidity risk in that it may be unable to meet payment obligations because it has insufficient cash funds at its disposal. GEA Group AG is responsible for managing this risk. Cash funds are arranged and credit lines managed on the basis of a multi-year financial plan and a rolling month-by-month cash forecast. The funds are then made available by GEA Group AG based on the forecast for the HX Group companies. Cash flow from operating activities is the most important source of liquidity. In order to optimize borrowing and the use of cash funds within GEA Group, it has established cash pools in various countries, in which the HX Group companies participate. To achieve this, the cash pools automatically balance the accounts of the participating companies every day by crediting or debiting a target account. This prevents separate cash investments and borrowings by these companies to a large extent. Any additional liquidity requirements are generally borrowed by the GEA Group AG, which also invests surplus liquidity.

The following tables show the undiscounted contractually agreed interest and principal payments for financial liabilities, including derivative financial instruments with negative fair values:

	Cash flows						
	Carrying amount	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
	(EUR thousand)						
12/31/2013							
Trade payables	238,479	225,324	13,155	—	—	—	—
of which GEA Group AG and affiliated companies	5,827	5,827	—	—	—	—	—
of which other equity investments	550	550	—	—	—	—	—
Liabilities to GEA Group AG and affiliated companies	288,280	265,265	5,522	2,193	1,763	1,757	16,432
Liabilities to other equity investments	170	170	—	—	—	—	—
Liabilities to banks	2,994	1,838	1,384	144	8	—	—
Liabilities under finance leases	5,251	901	1,164	1,098	1,030	892	1,568
Currency derivatives not included in a recognized hedging relationship	402	8,681	351	—	—	—	—
Currency derivatives included in a cash flow hedge	1,290	37,093	6,120	4,283	2,005	—	—
Other financial liabilities	17,523	17,523	—	—	—	—	—
12/31/2012							
Trade payables	231,750	218,098	13,652	—	—	—	—
of which GEA Group AG and affiliated companies	3,203	3,203	—	—	—	—	—
of which other equity investments	678	678	—	—	—	—	—
Liabilities to GEA Group AG and affiliated com	555,824	338,932	17,779	12,747	169,942	21,894	34,006
Liabilities to other equity investments	170	170	—	—	—	—	—
Liabilities to banks	6,486	6,343	167	158	143	6	—
Liabilities under finance leases	5,876	504	920	939	1,161	1,190	3,748
Currency derivatives not included in a recognized hedging relationship	472	16,630	5,794	476	—	—	—
Currency derivatives included in a cash flow hedge	678	31,415	1,605	—	—	—	—
Other financial liabilities	43,419	38,947	4,472	—	—	—	—

All financial liabilities outstanding as of December 31 of the relevant year are included in the above tables to the extent that payments have already been contractually agreed. Projected figures for future new liabilities are not taken into account. Foreign currency amounts are translated at the closing rates. In the case of financial liabilities that can be repaid at any time, it is assumed that they will be repaid within one year.

The liabilities to GEA Group AG and affiliated companies in the amount of EUR 288,280 thousand (previous year: EUR 555,824 thousand) consist of cash pool liabilities and internal loans granted to HX Group. These are offset by receivables from GEA Group AG and affiliated companies in the amount of EUR 227,497 thousand (previous year: EUR 340,369 thousand), comprising cash pool receivables and internal loans granted by HX Group (see section 5.8).

Payments for derivative financial instruments totaling EUR 58,533 thousand (previous year: EUR 55,920 thousand) were partially offset by payments received from the same instruments of EUR 57,345 thousand (previous year: EUR 54,970 thousand).

In addition, HX Group has its own guarantee lines primarily for the performance of contracts, advance payments, and warranty obligations of EUR 107,538 thousand (previous year: EUR 109,934 thousand), EUR 49,211 thousand of which has been utilized (previous year: EUR 49,614 thousand). In agreement with GEA Group AG's central finance unit, the HX Group companies can also draw on corresponding GEA Group AG guarantee lines, EUR 206,925 thousand of which was utilized (previous year: EUR 239,454 thousand). As is generally customary for this type of order collateral and financing instrument, guarantees have only been drawn down by HX Group in extremely rare exceptional cases in recent years.

Future payments from operating leases are reported separately under other financial liabilities (see section 7.2).

Foreign currency sensitivity analysis

HX Group companies are always exposed to foreign currency risk if their cash flows are denominated in a currency other than their own functional currency. Foreign currency risk is hedged using suitable instruments, thus largely offsetting fluctuations arising from the hedged item and the hedging transaction over their term.

The foreign currency risk presented in the sensitivity analysis results from the following transactions:

- Currency derivatives that are included in hedging relationships for previously unrecognized hedged items, *i.e.*, for contractually agreed or expected transactions.

  As these hedging relationships are regularly documented as such and presented as cash flow hedges, only equity is affected by exchange rate risk.

- Unsecured foreign currency transactions

  The translation of foreign currency receivables or liabilities at the closing rate has a direct effect on earnings.

The currency pairs in which the major part of the foreign currency cash flows are settled are included as relevant risk variables in the foreign currency sensitivity analysis. The following table shows the sensitivity of a 10 percent increase or decrease in the relevant foreign currency in relation to the relevant base currency from HX Group's perspective:

Base currency	Foreign currency	Nominal amount	Profit/loss for the year 2013		Equity 2013	
			(EUR thousand)			
			+10%	-10%	+10%	-10%
EUR	USD	62,619	(11)	13	(992)	1,211
USD	CNY	30,858	—	—	(1,558)	1,903
EUR	CNY	23,261	—	—	(1,586)	1,939
EUR	PLN	3,942	(358)	438	—	—
EUR	RUB	3,182	(289)	354	—	—
EUR	INR	2,853	(259)	317	—	—

Base currency	Foreign currency	Nominal amount	Profit/loss for the year 2012		Equity 2012	
			(EUR thousand)			
			+10%	-10%	+10%	-10%
EUR	USD	52,832	23	(28)	626	(765)
USD	CNY	20,845	—	—	(1,446)	1,767
EUR	CNY	14,766	—	—	(301)	458
EUR	RUB	12,345	1,111	(1,357)	—	—
EUR	BRL	11,486	173	(212)	714	(873)
EUR	INR	9,866	847	(1,035)	—	—

The nominal amount relates to all contractually agreed foreign currency cash flows as of the reporting date, which are translated into euros at the closing rate.

The potential fluctuations in the profit or loss for the year result primarily from unhedged currency risk.

Interest rate sensitivity analysis

The interest rate sensitivity analysis presents the effects of changes in market interest rates on interest payments, and interest income and expenses. The sensitivity analyses are based on the following assumptions and instruments:

- Non-derivative fixed-income financial instruments are only subject to balance-sheet interest rate risk if they are measured at fair value. HX Group measures such financial instruments at amortized cost.
- Non-derivative variable-rate financial instruments whose interest payments are not included as hedged items in a hedging relationship that is recognized as a cash flow hedge are subject to interest rate risk both in the income statement and in cash flow (cash flow interest rate risk and interest rate risk recognized in profit or loss).
- Currency derivatives are not subject to material interest rate risk and therefore have no effect on interest rate sensitivity.

The sensitivity analysis assumes a linear shift in the yield curves for all currencies of +100 or –10 basis points as of December 31, 2013. Relatively speaking, there is less of a downward shift in the yield curve shift assumed for the sensitivity analysis than an upward shift. With regard to the near 0 percent interest rate level this avoids a shift to a negative interest rate. This results in the following effects for the simulated scenarios:

	12/31/2013		12/31/2012	
	+ 100 basis points	– 10 basis points	+ 100 basis points	– 10 basis points
	(EUR thousand)			
Interest rate risk recognized in profit or loss	(625)	62	(562)	56

The calculation is based on a net volume of EUR 62,471 thousand (previous year: EUR 56,194 thousand).

Capital management

HX Group's capital management is performed at GEA Group level and is part of the capital management for GEA Group as a whole. Any considerations regarding statutory capital and liquidity requirements are based on GEA Group's requirements.

The key financial objective is to sustainably increase GEA Group's enterprise value in the interests of investors, employees, customers, and suppliers, while safeguarding and securing the group's solvency at all times.

4. Combined balance sheet disclosures: Assets

4.1 Property, plant, and equipment

Property, plant, and equipment changed as follows:

	Land and buildings (owner-occupied)	Technical equipment and machinery	Other equipment, operating and office equipment	Assets under construction	Total
			(EUR thousand)		
Jan. 1, 2012					
Cost	201,735	271,150	75,239	16,372	**564,496**
Cumulative depreciation and impairment losses	(68,924)	(162,128)	(57,687)	(2,874)	**(291,613)**
Carrying amount	**132,811**	**109,022**	**17,552**	**13,498**	**272,883**
Changes in 2012					
Additions	3,206	5,717	3,550	20,497	**32,970**
Disposals	(5,850)	(1,364)	(883)	(104)	**(8,201)**
Depreciation	(7,222)	(18,280)	(5,677)	(36)	**(31,215)**
Impairment losses	(16)	(6)	(87)	(15)	**(124)**
Reversal of impairment losses	2,176	664	353	—	**3,193**
Reclassification held for sale	(9,124)	—	—	—	**(9,124)**
Changes in combined Group	(2,528)	62	(15)	—	**(2,481)**
Currency translation	7	(595)	(116)	423	**(281)**
Other changes	12,614	7,903	2,021	(25,931)	**(3,393)**
Carrying amount at Dec. 31, 2012	**126,074**	**103,123**	**16,698**	**8,332**	**254,227**
Jan. 1, 2013					
Cost	194,836	268,762	75,797	11,418	**550,813**
Cumulative depreciation and impairment losses	(68,762)	(165,639)	(59,099)	(3,086)	**(296,586)**
Carrying amount	**126,074**	**103,123**	**16,698**	**8,332**	**254,227**
Changes in 2013					
Additions	13,551	5,498	3,882	11,150	**34,081**
Disposals	(1,075)	(270)	(115)	(307)	**(1,767)**
Depreciation	(7,377)	(17,847)	(5,151)	(34)	**(30,409)**
Impairment losses	—	—	(18)	—	**(18)**
Reversal of impairment losses	—	—	—	—	**—**
Reclassification held for sale	—	—	—	—	**—**
Changes in combined Group	(3,241)	(3)	120	34	**(3,090)**
Currency translation	(3,372)	(3,137)	(428)	(210)	**(7,147)**
Other changes	1,707	4,639	1,377	(8,682)	**(959)**
Carrying amount at Dec. 31, 2013	**126,267**	**92,003**	**16,365**	**10,283**	**244,918**
Dec. 31, 2013					
Cost	197,600	262,480	76,542	12,475	**549,097**
Cumulative depreciation and impairment losses	(71,333)	(170,477)	(60,177)	(2,192)	**(304,179)**
Carrying amount	**126,267**	**92,003**	**16,365**	**10,283**	**244,918**

The other changes are primarily attributable to reclassifications from assets under construction to other items of property, plant, and equipment, and to intangible assets.

As in the previous year, items of property, plant, and equipment are depreciated on a straight-line basis using the relevant residual values and the following useful lives:

	Useful life in years
Buildings and parts of buildings	2 to 50
Technical equipment and machinery, other equipment	2 to 30
Operating and office equipment	3 to 40

Depreciation of property, plant, and equipment is largely reported in cost of sales.

The underlying residual values and useful lives are reviewed at each reporting date and adjusted if necessary.

Property, plant, and equipment includes land and buildings, technical equipment and machinery, and office and operating equipment leased under finance leases:

	12/31/2013	12/31/2012
	(EUR thousand)	
Cost - capitalized leased assets under finance leases	16,599	16,664
Cumulative depreciation and impairment losses	(8,662)	(8,042)
Carrying amount	**7,937**	**8,622**

EUR 3,979 thousand (previous year: EUR 4,424 thousand) of the carrying amount of the leased items of property, plant, and equipment relates to buildings. The leases for the buildings extend beyond 2020. Extension options, escalation clauses, or the option to acquire the leased asset are not provided for in material leases.

The corresponding lease liabilities are explained under financial liabilities (see section 5.4).

The carrying amount of property, plant, and equipment that serves as collateral for credit lines amounted to EUR 1,342 thousand at the reporting date (previous year: EUR 1,688 thousand). Most of these assets relate to land and buildings.

4.2 Goodwill

The following table shows the allocation of goodwill to the HX Group segments and changes in goodwill:

	ACC-H	AFC-CS	AFC-ST	AT	PHE	S&T	WET	Total
				(EUR thousand)				
Carrying amount at Jan. 1, 2012	**165**	**31,167**	**1,203**	**16,415**	**39,346**	**11,366**	**20,980**	**120,642**
Additions	—	—	—	—	—	—	—	**—**
Currency translation	6	240	43	349	74	9	55	**776**
Carrying amount at Dec. 31, 2012	**171**	**31,407**	**1,246**	**16,764**	**39,420**	**11,375**	**21,035**	**121,418**
Additions	—	—	—	—	808	—	—	**808**
Currency translation	(19)	(221)	(137)	(865)	(1,031)	(31)	(48)	**(2,352)**
Carrying amount at Dec. 31, 2013	**152**	**31,186**	**1,109**	**15,899**	**39,197**	**11,344**	**20,987**	**119,874**

The additions amounting to EUR 808 thousand in fiscal year 2013 are attributable to the initial consolidation of companies that had not previously been consolidated.

Impairment test

Goodwill recoverability was tested at the end of the fiscal year. The HX Group segments (also referred to as “business units”) were identified as cash-generating units for this impairment test. The recoverable amount for the segments was compared with its carrying amount, which included any goodwill allocated to them.

The recoverable amount of a segment is determined by calculating value in use using the discounted cash flow method. The cash flows used are the after-tax operating cash flows from the consolidated medium-term planning (three-year period) planned on a bottom-up basis and prepared by GEA Group AG’s Executive Board. The Supervisory Board of GEA Group AG approved this planning for HX Group, which is reported as a segment in accordance with IFRS 8 in GEA Group AG’s IFRS consolidated financial statements, for the next year and has taken note of it for the two following years. Cash flows equal to the amount in the final planning year are assumed for the period beyond the planning horizon, extrapolated using a uniform growth rate of 1.5 percent (previous year 1.5 percent), which is no higher than the long-term average growth rate for the markets in which the business units are active.

The planning drawn up in 2013 assumes growth in the sales markets and a corresponding increase in earnings over the three-year detailed planning period.

With regard to raw material prices, it is assumed that any increase can be offset by increased selling prices. Future business acquisitions were not included in the planning.

The total cost of capital assumed for discounting is based on a risk-free interest rate of 2.75 percent (previous year: 2.25 percent) and a market risk premium of 5.75 percent (previous year: 6.25 percent). Since all business units operate in the heat exchangers segment, the other valuation factors were derived from a single peer group. Thus, beta factors, a borrowing risk premium, the capital structure, and the tax rate were derived from this peer group. This resulted in an interest rate after tax of 8.8 percent (previous year: 8.6 percent) for discounting cash flows.

4.3 Other intangible assets

The carrying amount of other intangible assets changed as follows:

	Market-related intangible assets	Customer-related intangible assets	Contract-based intangible assets	Technology-based intangible assets	Internally generated intangible assets	Total
			(EUR thousand)			
Jan. 1, 2012						
Cost	23,707	10,505	21,544	37,877	4,010	**97,643**
Cumulative amortization and impairment losses	(5,124)	(5,206)	(15,690)	(21,056)	(2,790)	**(49,866)**
Carrying amount	**18,583**	**5,299**	**5,854**	**16,821**	**1,220**	**47,777**
Changes in 2012						
Additions	—	—	1,445	394	1,862	**3,701**
Disposals	—	—	(21)	(3)	—	**(24)**
Amortization	(28)	(918)	(2,198)	(2,966)	(559)	**(6,669)**
Impairment losses	(2,319)	—	—	(1)	(199)	**(2,519)**
Reversal of impairment losses	—	—	54	2	270	**326**
Changes in combined Group	—	—	1	23	(3)	**21**
Currency translation	320	49	15	102	(15)	**471**
Other changes	—	—	(53)	851	2,578	**3,376**
Carrying amount at Dec. 31, 2012	**16,556**	**4,430**	**5,096**	**15,223**	**5,154**	**46,459**
Jan. 1, 2013						
Cost	24,135	10,599	22,815	38,953	8,675	**105,177**
Cumulative amortization and impairment losses	(7,579)	(6,169)	(17,719)	(23,730)	(3,521)	**(58,718)**
Carrying amount	**16,556**	**4,430**	**5,096**	**15,223**	**5,154**	**46,459**
Changes in 2013						
Additions	4	—	748	3,405	1,950	**6,107**
Disposals	—	—	—	334	—	**334**
Amortization	(263)	(842)	(2,044)	(3,227)	(610)	**(6,986)**
Impairment losses	(2,071)	—	—	—	—	**(2,071)**
Reversal of impairment losses	336	—	—	—	—	**336**
Changes in combined Group	235	117	5	(9)	—	**348**
Currency translation	(491)	(38)	(35)	(175)	(22)	**(761)**
Other changes	(1)	—	462	1,383	(839)	**1,005**
Carrying amount at Dec. 31, 2013	**14,305**	**3,667**	**4,232**	**16,934**	**5,633**	**44,771**
Dec. 31, 2013						
Cost	24,119	9,776	23,342	43,511	9,456	**110,204**
Cumulative amortization and impairment losses	(9,814)	(6,109)	(19,110)	(26,577)	(3,823)	**(65,433)**
Carrying amount	**14,305**	**3,667**	**4,232**	**16,934**	**5,633**	**44,771**

As in the previous year, other intangible assets with finite useful lives are amortized on a straight-line basis using the following useful lives:

	Useful life in years
Market-related intangible assets	3 to 20
Customer-related intangible assets	1 to 10
Contract-based intangible assets	1 to 18
Technology-based intangible assets	1 to 25

Amortization of intangible assets amounting to EUR 6,986 thousand in fiscal year 2013 (previous year: EUR 6,669 thousand) is mainly reported in cost of sales.

Market-related intangible assets amounting to EUR 14,305 thousand (previous year: EUR 16,556 thousand) are not amortized because their useful life cannot be determined. These assets are company and product names of the acquired companies. These are established brands in their respective sectors and will continue to be used indefinitely after the company in question has been acquired.

These brands are tested for impairment at least once a year. For this purpose, their internal value in use is determined using the relief from royalty method. Under this approach, the value of a brand is calculated on the basis of the future royalties that HX Group would have to pay if it had to license the brands from third parties. The brand-related revenue is multiplied by the estimated license fee installments. The brand-related revenue is derived from the consolidated medium-term planning prepared by the Executive Board of GEA Group AG. GEA Group AG's Supervisory Board approved this planning for the segment reported as HX Group in accordance with IFRS 8 in GEA Group's IFRS consolidated notes to the financial statements for the next year and has familiarized itself with it for the two following years. The assumed license fee installments generally correspond to those of the initial measurement. The payments saved calculated in this way are then discounted using a brand-specific pre-tax discount rate. Valuation is based on the following assumptions:

	12/31/2013	12/31/2012
	(%)	
Discount rate	11.31 – 22.23	11.07 –20.71
Royalty rate	0.50 – 1.50	0.50 – 1.50

The impairment test performed at the end of 2013 led to a writedown of EUR 2,071 thousand. This is attributable to a weaker market situation for the products in question on the one hand as well as higher discount rates on the other.

4.4 Equity-accounted investments

Equity-accounted investments are reported at a carrying amount of EUR 6,466 thousand as of December 31, 2013 (previous year: EUR 5,832 thousand).

The following overview presents the proportionate key figures for equity-accounted joint ventures:

	01/01/2013 - 12/31/2013	01/01/2012 - 12/31/2012
	(EUR thousand)	
Revenue	21,446	19,661
Profit after tax	739	667

	12/31/2013	12/31/2012
	(EUR thousand)	
Assets		
Non-current assets	1,781	1,853
Current assets	13,405	13,889
Liabilities		
Non-current liabilities	3	123
Current liabilities	9,687	10,085

4.5 Other financial assets

Other financial assets are composed of the following items:

	12/31/2013	12/31/2012
	(EUR thousand)	
Investments in unconsolidated companies and other equity investments	3,274	974
Derivative financial instruments	105	30
Miscellaneous other financial assets	4,886	66,647
Other non-current financial assets	**8,265**	**67,651**
Other securities	17	21
Derivative financial instruments	1,895	1,041
Miscellaneous other financial assets	269,781	340,974
Other current financial assets	**271,693**	**342,036**
Total	**279,958**	**409,687**

Derivative financial instruments

Derivative financial instruments are explained in section 5.8.

Miscellaneous other financial assets

Miscellaneous other financial assets with a carrying amount of EUR 274,667 thousand (previous year: EUR 407,621 thousand) were recognized as of the reporting date. They are broken down into non-current and current assets as follows:

	12/31/2013	12/31/2012
	(EUR thousand)	
Other receivables from GEA Group AG and affiliated companies	1	62,360
Receivables from tax authorities	4,565	3,959
Sundry miscellaneous other financial assets	320	328
Other non-current financial assets	**4,886**	**66,647**
Other receivables from GEA Group AG and affiliated companies	227,195	305,028
Other receivables from other equity investments	2,404	1,730
Other receivables from tax authorities	14,763	14,760
Sundry miscellaneous other financial assets	25,419	19,456
of which receivables from third parties	25,370	19,369
of which receivables from GEA Group AG and affiliated companies	20	7
of which receivables from other equity investments	29	80
Other current financial assets	**269,781**	**340,974**
Total	**274,667**	**407,621**

Other receivables from GEA Group AG and affiliated companies include cash pool receivables and internal loans granted by HX Group totaling EUR 227,497 thousand (see section 5.8). The changes to these receivables are primarily attributable to the transactions described in section 8.3.1.

Receivables from tax authorities primarily comprise VAT receivables.

Sundry miscellaneous other financial assets include prepaid expenses totaling EUR 3,511 thousand (previous year: EUR 3,559 thousand).

The maturity structure of sundry miscellaneous other financial assets is as follows:

		12/31/2013	12/31/2012
		(EUR thousand)	
Carrying amount before impairment losses		**25,739**	**19,968**
Impairment losses		—	184
Carrying amount		**25,739**	**19,784**
of which not overdue at the reporting date		25,729	19,709
of which past due at reporting date		10	75
Past due periods (time bands):	between 31 and 60 days	2	7
	between 61 and 90 days	—	—
	between 91 and 180 days	—	9
	between 181 and 360 days	—	1
	more than 360 days	8	58

Past due other financial assets largely relate to third parties.

4.6 Inventories

Inventories are composed of the following items:

	12/31/2013	12/31/2012
	(EUR thousand)	
Raw materials, consumables, and supplies	74,693	87,779
Work in progress	38,192	41,909
Assets for third parties under construction	37	37
Finished goods and merchandise	20,647	27,465
Advance payments	8,716	24,642
Total	**142,285**	**181,832**

Inventories of EUR 1,040 million were recognized as an expense in fiscal year 2013 (previous year: EUR 1,124 million). Impairment losses on inventories were EUR 1,200 thousand in the reporting period (previous year: EUR 1,687 thousand). Impairment losses charged were recognized in cost of sales. No reversals were required.

4.7 Trade receivables

Trade receivables are composed of the following items:

	12/31/2013	12/31/2012
	(EUR thousand)	
Trade receivables	308,292	306,179
of which from third parties	293,744	292,148
of which from GEA Group AG and affiliated companies	10,744	8,261
of which from other equity investments	3,804	5,770
Gross amount due from customers for contract work	105,863	109,078
Total	**414,155**	**415,257**

Trade receivables include receivables of EUR 19,381 thousand (previous year: EUR 21,537 thousand) that will not be realized until more than one year after the reporting date. Bad debt allowances on trade receivables totaled EUR 10,690 thousand (previous year: EUR 12,483 thousand).

The average payment period and volume of receivables outstanding are in line with the general market.

The maturity structure of trade receivables from third parties is as follows:

		12/31/2013	12/31/2012
		(EUR thousand)	
Carrying amount before impairment losses		**304,434**	**304,631**
Impairment losses		10,690	12,483
Carrying amount		**293,744**	**292,148**
of which not overdue at the reporting date		238,971	231,402
of which past due at reporting date		54,773	60,746
Past due periods (time bands):	less than 30 days	23,500	25,131
	between 31 and 60 days	11,341	10,916
	between 61 and 90 days	3,858	5,986
	between 91 and 180 days	6,602	11,082
	between 181 and 360 days	5,590	4,199
	more than 360 days	3,882	3,432

Construction contracts

The gross amount due from and to customers for contract work is composed of the following items:

	12/31/2013	12/31/2012
	(EUR thousand)	
Capitalized production cost of construction contracts	918,456	983,900
plus net gain from construction contracts	128,620	132,427
less anticipated losses	2,277	5,216
less progress billings	1,021,850	1,084,041
Total	**22,949**	**27,070**
Gross amount due from customers for contract work (included in trade receivables)	105,863	109,078
Gross amount due to customers for contract work (included in other liabilities)	(82,914)	(82,008)
Total	**22,949**	**27,070**

Advance payments received on construction contracts amounted to EUR 2,497 thousand at December 31, 2013 (previous year: EUR 2,017 thousand). Customer retention money amounted to EUR 18,816 thousand (previous year: EUR 26,298 thousand). Revenue of EUR 477,871 thousand (previous year: EUR 536,418 thousand) was generated from construction contracts in the reporting period.

4.8 Income tax receivables

Income tax receivables amounted to EUR 4,741 thousand at the reporting date (previous year: EUR 8,096 thousand). EUR 4,728 thousand (previous year: EUR 8,077 thousand) of this amount is due within one year. A further EUR 13 thousand (previous year: EUR 19 thousand) is due after more than one year.

4.9 Cash and cash equivalents

Cash and cash equivalents were composed of the following items at the reporting date:

	12/31/2013	12/31/2012
	(EUR thousand)	
Unrestricted cash	112,229	142,609
Restricted cash	28	5,612
Total	**112,257**	**148,221**

Cash and cash equivalents comprise cash funds and overnight deposits. Restricted cash consists of term deposits and bank deposits.

During the year, the standard market interest rate for short-term bank deposits in the eurozone lay between 0.0 and 0.5 percent (previous year: between 0.0 and 0.5 percent). The average interest rate at the end of the year was 0.3 percent (previous year: 0.3 percent).

4.10 Assets held for sale

Assets held for sale are reported at a carrying amount of EUR 8,342 thousand as of December 31, 2013 (previous year: EUR 9,124 thousand). They are related to land and buildings in Turkey that are not required for operating purposes. As these assets have no further use, they are in the process of being disposed.

5. Combined balance sheet disclosures: Equity and liabilities

5.1 Equity

As explained in section 1, HX Group is legally owned by GEA Group AG. Due to the preparation of the combined financial statements, HX Group's equity is reported differently to the method provided for in IAS 1. The items "net assets attributable to GEA Group AG," "accumulated other comprehensive income," and "non-controlling interests" are presented in the standard format for reporting equity in combined financial statements. The changes in the equity components are reported in the statement of changes in equity.

Net assets attributable to GEA Group AG

Net assets attributable to GEA Group AG include the share capital, capital reserves, and retained earnings of HX Holding GmbH and GEA Air Treatment GmbH and other companies (see the list of companies included in the combined financial statements in section 11). For the companies within HX Group, the carrying amount of the investments in the companies and the share in the net equity of each company included has been consolidated. The net assets attributable to GEA Group AG also include the undistributed profits of all HX Group companies and actuarial gains and losses.

Material transactions with other GEA Group AG companies and subsidiaries that are directly or indirectly controlled by GEA Group AG are reported as transactions with affiliated companies.

Changes in net assets attributable to GEA Group AG in fiscal year 2013 were due to the higher profit for the period and, in particular, to capital transactions with GEA Group AG and affiliated companies. These were primarily due to the following transactions: The capital transactions with GEA Group AG and affiliated companies item comprises reductions in equity resulting from profit transfers and dividend distributions to GEA Group AG and affiliated companies in the amount of EUR 67,183 thousand (previous year: EUR 75,597 thousand). In addition, transactions in connection with legal restructuring measures to bundle HX Group's activities increased equity by EUR 119,766 thousand. The background to and further information about the transactions concerned are provided in further detail in section 8.3.1. In the previous year, transactions in connection with legal restructuring measures within GEA Group increased equity by EUR 23,924 thousand. The companies concerned were not attributable economically to HX Group.

In addition, the capital transactions with GEA Group AG and affiliated companies item includes additions of EUR 9,784 thousand (previous year: EUR 7,198 thousand) relating to GEA Group's assumption of tax liabilities for HX Group (see section 1).

A decrease of EUR 21 thousand (previous year: increase of EUR 64 thousand) is related to the offsetting of income resulting from the launch of an employee share-based payment plan in South Africa. Under the major "Medupi" order received at the end of 2007, HX Group undertook to meet certain assessment criteria defined by the Broad Based Black Economic Empowerment Act of 2003. To do this, HX Group launched a share-based payment plan for staff at its South African company, among other things. The shares granted to these employees are held indirectly via a trustee, which in turn issues options on these shares to the employees. The options vest after a five-year holding period. Twenty percent of the options will be exercised each year after the holding period expires. The exercise price corresponds to the fair value of the shares at the grant date. The options lapse if employees leave the company before the five-year period expires.

10,315 options were outstanding at December 31, 2012. 3,505 options expired in fiscal year 2013. At the same time, 3,150 options were allocated to a second tranche, of which 75 options expired in fiscal year 2013. The number of options outstanding at December 31, 2013, was therefore 9,885.

The weighted average fair value of the options issued amounted to EUR 36.69 at the grant date of May 6, 2009. The fair value of the options was determined using a Monte Carlo simulation. Income of EUR 21 thousand (previous year: expenses of EUR 64 thousand) was recognized to reflect expected staff turnover in fiscal year 2013.

Accumulated other comprehensive income

Changes in equity are reported in accumulated other comprehensive income if they do not relate to capital transactions with shareholders. These comprise the gains or losses on financial assets measured at fair value and recognized directly in equity, the effective portion of the change in fair value of derivatives designated as cash flow hedges, and exchange rate gains or losses from the translation of the financial statements of foreign companies.

Non-controlling interests

Non-controlling interests in HX Group companies amounted to EUR 2.199 thousand (previous year: EUR 1.805 thousand).

The change in other comprehensive income attributable to non-controlling interests amounted to EUR 167 thousand (previous year: EUR 62 thousand), primarily as a result of exchange differences on foreign currency translation.

5.2 Provisions

The following table shows the composition of and changes in provisions in 2013

	Guarantees, warranties	Litigation risks	Follow-up costs	Other provisions	Total
			(EUR thousand)		
Balance at Jan. 1, 2013	**53,918**	**1,901**	**30,142**	**13,594**	**99,555**
of which non-current	8,305	—	—	1,382	**9,687**
of which current	45,613	1,901	30,142	12,212	**89,868**
Additions	23,796	—	13,056	6,990	**43,842**
Utilization	(9,561)	(1,878)	(10,797)	(6,800)	**(29,036)**
Reversal	(10,911)	—	(6,468)	(3,255)	**(20,634)**
Changes in combined Group	(75)	—	1,013	(303)	**635**
Exchange differences	(1,025)	(2)	(583)	(533)	**(2,143)**
Balance at Dec. 31, 2013	**56,142**	**21**	**26,363**	**9,693**	**92,219**
of which non-current	9,587	—	—	929	**10,516**
of which current	46,555	21	26,363	8,764	**81,703**

Provisions for guarantees and warranties

Provisions for guarantees and warranties relate to warranty commitments for products and equipment. As is customary in the industry, the guarantees and warranties on which they are based are granted in connection with certain performance criteria relating to products or equipment. Warranties usually have a contractual term of between one and two years from the date on which the products or equipment are accepted. In addition to warranties explicitly agreed under contract, product liability rules apply in many sales countries and may also stipulate that the manufacturer is liable beyond the contractually defined term of the warranty. In some cases, recourse claims exist in the form of insurance refunds or subcontractor guarantees. The level of provisions is based on management's best estimate.

Litigation risks

Provisions are recognized for risks arising from expected or pending litigation against HX Group companies if it is believed that there is likely to be an unfavorable outcome to the proceedings. Assessments by counsel for the company or legal experts were used to determine the likelihood of such litigation. The probable damages or sanctions have been recognized as a liability.

Follow-up costs

This item comprises the cost of residual work that is incurred after a contract has already been invoiced and the profit from the contract has been recognized. The amount of the expected cost is stated.

Other provisions

Other provisions include restructuring provisions of EUR 776 thousand (previous year: EUR 1,611 thousand), and provisions for expected losses of EUR 959 thousand (previous year: EUR 1,640 thousand).

5.3 Employee benefit obligations

Employee benefit obligations are composed of the following items:

	12/31/2013	12/31/2012
	(EUR thousand)	
Obligations under pension plans	21,564	22,905
of which defined benefit pension plans	21,560	22,900
of which defined contribution pension plans	4	5
Other employee benefit obligations	1,969	1,739
Partial retirement	1,062	1,322
Jubilee benefits	2,405	1,923
Other non-current obligations to employees	718	1,018
Non-current employee benefit obligations	**27,718**	**28,907**
Redundancy plan and severance payments	504	898
Outstanding vacation, flexitime/overtime credits	12,582	12,724
Bonuses	18,013	16,526
Other current obligations to employees	7,121	6,226
Current employee benefit obligations	**38,220**	**36,374**
Total employee benefit obligations	**65,938**	**65,281**

5.3.1 Defined benefit pension plans

HX Group employees are offered various benefit options, mainly in the form of defined benefit and defined contribution pension plans.

The defined benefit pension plan obligations mainly exist in Germany.

In Germany, HX Group grants old-age, disability, and survivors' benefits to many of its employees. New employees are generally only granted benefits that are partly funded by employee contributions.

As part of the general benefits provided, all employees have the opportunity to voluntarily defer part of their compensation. Under this arrangement, an agreed amount of their salary plus an employer contribution of up to 100 percent of the deferred amount is converted into a pension benefit. A corresponding collective bargaining agreement was entered into in 2002 and revised in 2008.

Managers receive benefits comprising an income-related employer-funded basic amount, an employer-funded top-up, and a matching amount funded through deferred compensation with an employer contribution of up to 100 percent of the deferred amount. The additional contributions from the top-up and matching amounts are determined annually and converted into a pension benefit by the employer. These commitments are granted in the form of identical individual commitments.

For both commitments, the post-retirement benefits are adjusted by 1 percent each year.

In addition to the currently open benefit schemes, there are a number of historical pension schemes in the company. These schemes are generally closed to new employees, but are maintained unchanged for employees who were members at the time the scheme was closed.

The pension liabilities are partly covered by reinsurance policies.

All liabilities were actuarially valued on December 31, 2012 and December 31, 2013.

HX Group views granting pension benefits as an opportunity to foster employee loyalty and engagement. It is therefore a firm part of the remuneration concept and has an appropriate employee contribution component. In connection with this, HX Group observes developments on the human resources market and regularly checks that the benefits it grants are appropriate and in line with the market.

HX Group does not believe that the pension liabilities pose any risks over and above the customary extent and the general risks described above.

Pension provisions and funded status

The changes in the present value of the defined benefit obligation, the plan assets, and the pension provisions were as follows:

	12/31/2013	12/31/2012
	(EUR thousand)	
Present value of defined benefit obligation at beginning of fiscal year	**24,325**	**16,278**
Current service cost	1,757	1,173
Interest cost from discounting unwinding on defined benefit obligations	795	812
Remeasurement of present value of defined benefit obligation	379	6,585
Actuarial gains (losses) from changes in demographic assumptions	(131)	—
Actuarial gains (losses) resulting from changes in financial assumptions	3	6,349
Actuarial gains (losses) resulting from experience adjustments	507	236
Payments without settlements	(899)	(813)
Transfer of assets	(36)	290
Other changes in combined group	(3,408)	—
Present value of defined benefit obligation at end of fiscal year	**22,913**	**24,325**
Fair value of plan assets at beginning of the fiscal year	**1,425**	**1,369**
Interest income on plan assets	50	70
Remeasurement: return from plan assets in excess interest income	1	(3)
Payments without settlements	(123)	(11)
Fair value of plan assets at the end of fiscal year	**1,353**	**1,425**
Funded status/ Net carrying amount	**21,560**	**22,900**

The net carrying amount of the defined benefit obligation changed as follows in fiscal year 2013:

	12/31/2013	12/31/2012
	(EUR thousand)	
Net carrying amount at beginning of fiscal year	**22,900**	**14,909**
Changes through profit or loss	**2,502**	**1,915**
Current service cost	1,757	1,173
Net interest on net defined benefit liability	745	742
Changes through OCI	**378**	**6,588**
Return from plan assets in excess interest income	(1)	3
Actuarial gains (losses) from changes in demographic assumptions	(131)	—
Actuarial gains (losses) resulting from changes in financial assumptions	3	6,349
Actuarial gains (losses) resulting from experience adjustments	507	236
Cash-effective changes	**(776)**	**(802)**
Payments without settlements	(776)	(802)
Other changes	**(3,444)**	**290**
Transfer of assets	(36)	290
Other changes in combined group	(3,408)	—
Net carrying amount	**21,560**	**22,900**

The following overview shows the net carrying amount broken down into plans with and without plan assets:

	12/31/2013	12/31/2012
	(EUR thousand)	
Present value of funded obligations	3,310	3,414
Fair value of plan assets	1,353	1,425
Net carrying amount of funded obligations	**1,957**	**1,989**
Present value of unfunded obligations	19,603	20,911
Net carrying amount of unfunded obligations	**19,603**	**20,911**
Net carrying amount	**21,560**	**22,900**

As in the previous year, no asset ceiling in accordance with IAS19.64 (b) applies. In addition, there are no reimbursement claims within the meaning of IAS 19.116.

The following overview shows the present value of the defined benefit obligation broken down into active employees, former employees with vested benefits, and benefit recipients:

	12/31/2013	12/31/2012
	(EUR thousand)	
Active employees	16,836	15,448
Vested terminated employees	2,046	3,661
Pensioners	4,031	5,216
Total obligation	**22,913**	**24,325**

Plan assets

On the relevant reporting dates, the plan assets to cover the pension obligations consisted solely of insurance policies for which there is no quoted market price in an active market.

HX Group has therefore decided to utilize the internal financing effect of the pension provisions and only fund a relatively small proportion of the pension obligations using plan assets.

In fiscal year 2014, no material additions are expected to be made to the plan assets of the pension plans.

Actuarial assumptions

As of the relevant reporting date, the following weighted actuarial assumptions were used to calculate the present value of the defined benefit obligation relating to pension plans. These assumptions are used to calculate the net pension expenses in the following year.

	12/31/2013	12/31/2012
	(Percent)	
Discount factor	3.25	3.30
Inflation	2.00	2.00
derived: wage and salary increase rate	2.81	2.87
derived: pension increase rate	2.00	2.00

The actuarial measurement factors for German pension plans are established by HX Group in consultation with actuarial experts. The corresponding assumptions for pension plans outside Germany are determined taking into account country-specific conditions with the help of local experts in consultation with the global experts and GEA Group. The discount rate is established using a recognized method based on the return on high quality corporate bonds determined as of the reporting date, taking into account the currency and maturities of the underlying liabilities.

All other assumptions correspond to the long-term expectations of HX Group. The nominal rate of wage and salary increases is calculated based on expected inflation and a real rate of increase. The rate of pension increases in Germany is also determined based on inflation, provided that the pension adjustments are determined in accordance with the rise in the cost of living. If a firm pension adjustment commitment has been made, this is taken into account accordingly.

As in the previous year, Klaus Heubeck's 2005G mortality tables were used as a basis for measuring all German pension plans as of December 31, 2013. On this basis, the life expectancy of a 65-year-old pensioner as of the reporting date is 18.89 years for men and 22.97 years for women (previous year: 18.75 years/22.83 years). Country-specific measurement bases were used for pension liabilities outside Germany.

The sensitivities presented below apply to the discount rate and inflation, which have been identified as actuarial assumptions that have a significant influence on HX Group's benefit obligations. Since the wage and salary increase rate and the pension increase rate are derived from inflation, sensitivity to inflation was used to measure the sensitivity of these assumptions together. The same calculation methods were used for sensitivities as for the recognized provisions. The ranges used to compute the sensitivities of the assumptions are based on the changes that are deemed possible until the next reporting date, given historical experience. The meaningfulness of historical experience for forecasts of future outcomes and neglecting to update a number of assumptions simultaneously may represent limitations of these methods.

A decrease of 50 basis points in the discount rate increases the present value of the defined benefit obligation by 9 percent (previous year: 10 percent). If the assumed inflation rate declines by 25 basis points, the present value of the defined benefit obligation decreases by 0.5 percent (previous year: 1 percent).

The sensitivity effect from an age reduction of one year is on average around 4 percent of the present value of the defined benefit obligation.

Future cash flows

The following benefit payments are expected to be made under the pension plans in the coming years:

	2014	2015	2016	2017	2018	>2017
			(EUR thousand)			
Payments under pension plans	455	570	611	770	835	5,005

The average weighted duration of the pension obligations is:

(Years)	12/31/2013	12/31/2012
Duration	20.7	14.5

5.3.2 Defined contribution pension plans

Various companies operate defined contribution pension plans. Under these plans, the obligation does not lie with HX Group, but with the respective pension funds. Contributions totaling EUR 1,105 thousand were paid in fiscal year 2013 (previous year: EUR 1,102 thousand). Contributions of EUR 13,294 thousand were paid to state pension insurance schemes (previous year: EUR 13,013 thousand). These contributions are recognized as personnel expenses at the same time as the relevant service is rendered.

5.3.3 Share-based payment

Share-based payments in fiscal year 2013 totaled EUR 729 thousand (previous year: EUR 440 thousand). Income of EUR 21 thousand of this amount (previous year: expenses of EUR 64 thousand) was attributable to equity-settled share-based payment transactions (see section 5.1). The carrying amount of liabilities arising from share-based payment transactions amounted to EUR 758 thousand as of December 31, 2013 (previous year: EUR 779 thousand).

Performance Share Plan

Effective July 1, 2006, GEA Group Aktiengesellschaft launched a long-term remuneration program entitled "GEA Performance Share Plan," a cash-settled share-based payment plan for all first- and second-level GEA Group managers below the GEA Group Executive Board. Third-level managers were also eligible to participate starting with the third tranche of the program as of July 1, 2008. The eighth tranche was issued on July 1, 2013. Accordingly, HX Group managers are also entitled to participate. The goal of the GEA Performance Share Plan is to link managers' remuneration with the long-term success of the company and to align their interests with those of the shareholders.

Under the plan, participants are granted a defined number of Performance Shares at the beginning of the performance period. The number of Performance Shares allotted is determined by the participants' management level. To participate in the plan, managers must invest 20 percent of the amount of the allotted Performance Shares in shares of GEA Group Aktiengesellschaft. The personal investment must then be held for three years (performance period).

The performance of GEA Group Aktiengesellschaft's shares relative to all other MDAX companies over the three-year performance period is measured on the basis of their total shareholder return (TSR). TSR is a suitable indicator for investors to compare the performance and appeal of different companies. It measures the total percentage return that an investor earns from a share over a certain period. In addition to share price performance, dividends and adjustments such as share splits are included in the calculation of TSR. This method of comparison eliminates share price performance that is due to general market volatility and enables the effects of different profit retention strategies to be compared. The relative performance of GEA Group Aktiengesellschaft's shares determines the number of Performance Shares finally paid out (between 0 percent and 300 percent).

The Performance Shares are paid out once the three-year performance period has expired. At that time, performance of GEA Group Aktiengesellschaft's shares relative to the MDAX determines how many Performance Shares are paid out: If the performance of the company's shares equals the median in the TSR comparison, 50 percent of the Performance Shares are issued; if it reaches the third quartile, 100 percent of the Performance Shares are paid out. If GEA Group Aktiengesellschaft's shares outperform all other MDAX companies, 300 percent of the Performance Shares are issued. Other performance figures are interpolated between these values. The total amount paid out corresponds to the number of Performance Shares allotted to a participant multiplied by the average share price over the last quarter of the three-year performance period. Once the performance period has expired, participants may freely dispose of their personal investment in GEA Group Aktiengesellschaft shares.

The 2010 tranche expired on June 30, 2013. The TSR comparison over the three-year performance period resulted in a payout ratio of 78.71 percent (previous year: 87.95 percent). The payout amounted to EUR 772 thousand (previous year: EUR 1,078 thousand).

The number of Performance Shares changed as follows in fiscal year 2013:

(Number of shares)	12/31/2012	Additions	Expired	Paid Out	Changes in combined Group	12/31/2013
2010 tranche	39,680	—	—	36,195	3,485	—
2011 tranche	27,529	—	3,074	—	—	24,455
2012 tranche	24,575	—	3,850	—	—	20,725
2013 tranche	—	16,630	517	—	—	16,113
Total	**91,784**	**16,630**	**7,441**	**36,195**	**3,485**	**61,293**

The total expense for fiscal year 2013 amounts to EUR 750 thousand (previous year: EUR 376 thousand), taking into account the fair value as of December 31, 2013, of EUR 23.36 (previous year: EUR 13.37) for the 2011 tranche, EUR 19.91 (previous year: EUR 12.11) for the 2012 tranche, and EUR 25.19 for the 2013 tranche, as well as EUR 21.32 (previous year: EUR 19.71) for the 2010 tranche (previous year: 2009 tranche) at the payment date.

The fair value of the Performance Shares is determined using a Monte Carlo simulation. The following valuation assumptions are applied:

	2013			2012		
Tranche	**2011**	**2012**	**2013**	**2010**	**2011**	**2012**
Share price (EUR)	36.16	35.37	34.60	25.76	25.35	24.47
Dividend yield (%)	1.880	1.880	1.880	2.800	2.800	2.800
Risk-free interest rate (%)	0.105	0.170	0.335	0.017	(0.055)	(0.009)
Volatility GEA shares (%)	19.06	19.06	19.06	27.44	27.44	27.44

As the payout ratio of GEA Group Aktiengesellschaft's Performance Shares is linked to the MDAX, the volatilities of all MDAX shares and their correlations to GEA Group Aktiengesellschaft shares are also calculated. The calculation of volatilities and correlations is based on historical market data. Risk-free interest rates were determined from German government bond yields.

5.3.4 Redundancy plan and severance payments

The redundancy plan liabilities and severance payments were primarily recognized because of restructuring measures in Germany.

5.4 Financial liabilities

Financial liabilities as of December 31, 2013, were composed of the following items:

	12/31/2013	12/31/2012
	(EUR thousand)	
Liabilities to GEA Group AG and affiliated companies	20,115	246,905
Liabilities to banks	1,158	444
Liabilities under finance leases	4,647	5,420
Liabilities from derivatives	88	85
Non-current financial liabilities	**26,008**	**252,854**
Liabilities to GEA Group AG and affiliated companies	268,165	308,919
Liabilities to other equity investments	170	170
Liabilities to banks	1,836	6,042
Liabilities under finance leases	604	456
Liabilities from derivatives	1,604	1,065
Current financial liabilities	**272,379**	**316,652**
Total financial liabilities	**298,387**	**569,506**

Liabilities to GEA Group AG and affiliated companies

The changes in liabilities to GEA Group AG and affiliated companies are primarily attributable to the transactions described in section 8.3.1.

Liabilities to banks

The maturities of liabilities to banks are as follows:

	12/31/2013	12/31/2012
	(EUR thousand)	
< 1 year	1,836	6,042
1 - 2 years	1,009	150
2 - 3 years	141	148
3 - 4 years	8	140
4 - 5 years	—	6
Total	**2,994**	**6,486**

Liabilities to banks in the eurozone bore interest rates of between 4.6 percent and 5.0 percent, depending on their maturity and financing purpose (previous year: between 4.5 percent and 4.6 percent). The group additionally had foreign currency liabilities in United *Arab* Emirates *dirham* and Brazilian real that also bear standard market interest rates in those countries of around 3.0 percent (previous year: no loans) and 13.0 percent (previous year: 11.0 percent), respectively.

Guarantee credit lines

HX Group has its own guarantee lines primarily for the performance of contracts, advance payments, and warranty obligations in the amount of EUR 107,538 thousand (previous year: EUR 109,934 thousand), EUR 49,211 thousand of which was utilized (previous year: EUR 49,614 thousand). In agreement with GEA Group AG's central finance unit, the HX Group companies can also draw on corresponding GEA Group AG guarantee lines, EUR 206,925 thousand of which has been utilized (previous year: EUR 239,454 thousand).

Liabilities under finance leases

The following table shows a breakdown of future payments under finance leases:

	Minimum lease payments		Interest		Present value of minimum lease payments	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
			(EUR thousand)			
Not later than one year	901	504	297	48	604	456
Between one and five years	4,184	4,210	819	1,146	3,365	3,064
Later than five years	1,568	3,748	286	1,392	1,282	2,356
Total future payments under finance leases	**6,653**	**8,462**	**1,402**	**2,586**	**5,251**	**5,876**

Liabilities under finance leases are mainly attributable to land and buildings leased from GEA Group and third parties, as well as IT equipment leased from GEA Group. The present value of minimum lease payments as of December 31, 2013, relating to leases for land and buildings amounted to EUR 4,616 thousand (previous year: EUR 5,218 thousand).

As the interest rates used in leases are constant, the fair value of lease liabilities may be exposed to interest rate risk. All leases comprise contractually agreed payments.

Liabilities under finance leases are effectively secured because the rights to the leased asset revert to the lessor if the terms and conditions of the lease are breached.

Derivative financial instruments

Derivative financial instruments are explained in section 5.8

5.5 Trade payables

Trade payables were as follows as of December 31, 2013:

	12/31/2013	12/31/2012
	(EUR thousand)	
Trade payables	238,479	231,750
of which to third parties	232,102	227,869
of which to GEA Group and affiliated companies	5,827	3,203
of which to other equity investments	550	678

Trade payables of EUR 225,324 thousand (previous year: EUR 218,098 thousand) are due within one year. The balance of EUR 13,155 thousand (previous year: EUR 13,652 thousand) is due after more than one year.

5.6 Income tax liabilities

Income tax liabilities relate to current taxes and amounted to EUR 17,317 thousand at the reporting date (previous year: EUR 19,910 thousand).

5.7 Other liabilities

Other liabilities as of December 31, 2013, are composed of the following items:

	12/31/2013	12/31/2012
	(EUR thousand)	
Other non-current liabilities	**470**	**4,833**
Payments on account received in respect of orders and construction contracts	61,893	100,461
Gross amount due to customers for contract work	82,914	82,008
of which to third parties	82,914	82,008
Liabilities from other taxes	12,775	10,391
Other liabilities	27,883	50,344
of which to third parties	24,806	27,324
of which to GEA Group and affiliated companies	3,049	23,014
of which to other equity investments	28	6
of which social security	5,435	5,732
of which other liabilities to employees	3,542	3,452
Other current liabilities	**185,465**	**243,204**
Total other liabilities	**185,935**	**248,037**

Payments on account received in respect of orders amounting to EUR 26,546 thousand (previous year: EUR 8,142 thousand) are secured.

The gross amount due to customers for contract work is the aggregate amount of orders whose progress billings exceed the capitalized cost plus the contract gains and losses recognized.

5.8 Financial instruments

The following tables provide an overview of the composition of financial instruments as of December the respective reporting dates by class within the meaning of IFRS 7 as well as by measurement category. The tables also include financial assets and liabilities, as well as derivatives that are included in recognized hedging relationships, but do not belong to any of the IAS 39 measurement categories.

		Measurement in accordance with IAS 39				
	Carrying amount 12/31/2013	Amortized cost	Fair value through profit or loss	Fair value recognized in other comprehensive income	Measurement in accordance with other IFRSs	Fair value 12/31/2013
			(EUR thousand)			
Assets						
Trade receivables	414,155	308,292	—	—	105,863	414,155
of which PoC receivables	105,863	—	—	—	105,863	105,863
of which from GEA Group AG and affiliated companies	10,744	10,744	—	—	—	10,744
of which from other equity investments	3,804	3,804	—	—	—	3,804
Income tax receivables	4,741	—	—	—	4,741	4,741
Cash and cash equivalents	112,257	112,257	—	—	—	112,257
Other financial assets	279,958	255,119	1,008	992	22,839	279,958
of which loans to GEA Group AG and affiliated companies	227,497	227,497	—	—	—	227,497
of which derivatives included in hedging relationships	992	—	—	992	—	992
By IAS 39 measurement category						
Loans and receivables	672,377	672,377	—	—	—	672,377
of which cash and cash equivalents	112,257	112,257	—	—	—	112,257
of which trade receivables	308,292	308,292	—	—	—	308,292
of which other financial assets	251,828	251,828	—	—	—	251,828
Available-for-sale investments	3,291	3,291	—	—	—	3,291
Financial assets at fair value through profit or loss (derivatives not included in a recognized hedging relationship)	1,008	—	1,008	—	—	1,008
Liabilities						
Trade payables	238,479	238,479	—	—	—	238,479
of which to GEA Group AG and affiliated companies	5,827	5,827	—	—	—	5,827
of which to other equity investments	550	550	—	—	—	550
Financial liabilities	298,387	291,444	402	1,290	5,251	298,978
of which loans from GEA Group AG and affiliated companies	288,280	288,280	—	—	—	288,871
of which liabilities under finance leases	5,251	—	—	—	5,251	5,251
of which derivatives included in hedging relationships	1,290	—	—	1,290	—	1,290
Income tax liabilities	17,317	—	—	—	17,317	17,317
Other financial liabilities	185,935	17,523	—	—	168,412	185,935
By IAS 39 measurement category						
Financial liabilities at amortized cost	547,446	547,446	—	—	—	548,037
of which trade payables	238,479	238,479	—	—	—	238,479
of which liabilities to banks	2,994	2,994	—	—	—	2,994
of which loans from GEA Group AG and affiliated companies	288,280	288,280	—	—	—	288,871
of which other liabilities to other equity investments	3,049	3,049	—	—	—	3,049
of which other liabilities	14,604	14,604	—	—	—	14,604
Financial liabilities at fair value through profit or loss (derivatives not included in a hedging relationship)	402	—	402	—	—	402

	Carrying amount 12/31/2012	Measurement in accordance with IAS 39			Measurement in accordance with other IFRSs	Fair value 12/31/2012
		Amortized cost	Fair value through profit or loss	Fair value recognized in other comprehensive income		
	(EUR thousand)					
Assets						
Trade receivables	415,257	306,179	—	—	109,078	415,257
of which PoC receivables	109,078	—	—	—	109,078	109,078
of which from GEA Group AG and affiliated companies	8,261	8,261	—	—	—	8,261
of which from other equity investments	5,770	5,770	—	—	—	5,770
Income tax receivables	8,096	—	—	—	8,096	8,096
Cash and cash equivalents	148,221	148,221	—	—	—	148,221
Other financial assets	409,687	386,338	231	840	22,278	419,758
of which loans to GEA Group AG and affiliated companies	340,369	340,369	—	—	—	350,440
of which derivatives included in hedging relationships	840	—	—	840	—	840
By IAS 39 measurement category						
Loans and receivables	839,740	839,740	—	—	—	839,740
of which cash and cash equivalents	148,221	148,221	—	—	—	148,221
of which trade receivables	306,179	306,179	—	—	—	306,179
of which other financial assets	385,340	385,340	—	—	—	385,340
Available-for-sale investments	996	996	—	—	—	996
Financial assets at fair value through profit or loss (derivatives not included in a recognized hedging relationship)	231	—	231	—	—	231
Liabilities						
Trade payables	231,750	231,750	—	—	—	231,750
of which to GEA Group AG and affiliated companies	3,203	3,203	—	—	—	3,203
of which to other equity investments	678	678	—	—	—	678
Financial liabilities	569,506	562,480	472	678	5,876	603,105
of which loans to GEA Group AG and affiliated companies	555,824	555,824	—	—	—	589,423
of which liabilities under finance leases	5,876	—	—	—	5,876	5,876
of which derivatives included in hedging relationships	678	—	—	678	—	678
Income tax liabilities	19,910	—	—	—	19,910	19,910
Other financial liabilities	248,037	43,419	—	—	204,618	248,037
By IAS 39 measurement category						
Financial liabilities at amortized cost	837,649	837,649	—	—	—	871,248
of which trade payables	231,750	231,750	—	—	—	231,750
of which liabilities to banks	6,486	6,486	—	—	—	6,486
of which loans to GEA Group AG and affiliated companies	555,994	555,994	—	—	—	589,593
of which other liabilities to other equity investments	26,619	26,619	—	—	—	26,619
of which other liabilities	16,800	16,800	—	—	—	16,800
Financial liabilities at fair value through profit or loss (derivatives not included in a hedging relationship)	472	—	472	—	—	472

Financial assets and liabilities that are measured at fair value, or for which a fair value is disclosed in the notes to the consolidated financial statements, are required to be categorized according to the fair value hierarchy described in the following. Categorization within the levels of the fair value hierarchy is based on the measurement of the underlying inputs:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical financial assets and liabilities.

Level 2 inputs: quoted market prices that are observable as direct (prices) or indirect (derived from prices) inputs used to measure fair value and that are not quoted prices as defined by Level 1.

Level 3 inputs: inputs that are not based on observable market data.

The following table shows the categorization of financial assets and financial liabilities into the three-level fair value hierarchy:

	12/31/2013	12/31/2012
	Level 2	Level 2
	(EUR thousand)	
Fair values assets		
Loans receivable GEA Group AG and affiliated companies	227,497	350,440
Derivatives	2,000	1,071
of which: derivatives included in hedging relationships	992	840
Fair values liabilities		
Loans payable GEA Group AG and affiliated companies	288,871	589,423
Derivatives	1,692	1,150
of which: derivatives included in hedging relationships	1,290	678

There were no transfers into or out of the levels of the fair value hierarchy in fiscal year 2013.

The fair value of derivatives is calculated using quoted exchange rates and yield curves observable in the market. Accordingly, these are categorized within Level 2 of the fair value hierarchy.

The fair value of loans to GEA Group AG and affiliated companies is measured on the basis of the yield curve, taking into account credit spreads.

The fair values of trade payables, trade receivables, cash and cash equivalents, and other financial receivables and liabilities essentially correspond to the carrying amounts; this is due to the predominantly short remaining maturities.

As of the reporting date, no financial instruments had been assigned to level 1 or level 3 of the fair value hierarchy.

Non-derivative financial assets

The carrying amount of the trade receivables and other financial assets that are subject to the IAS 39 measurement requirements corresponds to their fair value. Assets allocated to the "available-for-sale financial assets" category are measured at amortized cost. These are shares in unconsolidated companies and other equity investments whose fair value cannot be determined reliably.

Non-derivative financial liabilities

The carrying amount of the trade payables and other current liabilities that are subject to the measurement rules of IAS 39 corresponds to their fair value. The fair value of fixed-interest liabilities is the present value of their expected future cash flows. They are discounted at the rates prevailing at the reporting date. The carrying amount of variable-rate liabilities corresponds to their fair value.

Derivative financial instruments

The fair value of currency forwards at the reporting date is calculated on the basis of the spot exchange rate, taking into account forward premiums and discounts corresponding to the relevant remaining maturities. Forward premiums and discounts are derived from yield curves observable at the reporting date. The fair value of currency options is calculated on the basis of recognized measurement models. Fair value is affected by the remaining term of the option, the current exchange rate, the volatility of the exchange rate, and the underlying yield curves.

HX Group uses currency forwards as derivative financial instruments to hedge foreign currency risk for existing or planned underlying transactions.

The following table presents the notional values and fair values of the derivative financial instruments in use as of the reporting date. The notional value in foreign currency is translated at the closing rate.

	12/31/2013		12/31/2012	
	Notional value	Fair value	Notional value	Fair value
	(EUR thousand)			
Assets				
Currency derivatives not included in a hedging relationship	41,929	1,008	11,558	231
Currency derivatives included in a cash flow hedge	31,793	992	36,950	840
Total	**73,722**	**2,000**	**48,508**	**1,071**
Equity and liabilities				
Currency derivatives not included in a hedging relationship	8,735	402	22,714	472
Currency derivatives included in a cash flow hedge	48,763	1,290	32,696	678
Total	**57,498**	**1,692**	**55,410**	**1,150**

The carrying amounts for the derivatives presented in the balance sheet are gross amounts. There are netting agreements for part of the derivatives portfolio. The potential offsetting volume is insignificant.

Derivative financial instruments included in recognized hedging relationships

Derivative financial instruments included in recognized hedging relationships serve exclusively to hedge foreign currency risks from future sale and procurement transactions (cash flow hedges).

Derivatives are measured at fair value, which is split into an effective and an ineffective portion. The effective portion and any change in this amount are recognized in other comprehensive income until the hedged item is recognized in the balance sheet. The ineffective portion is recognized in the income statement. When the hedged item is recognized in the balance sheet, gains and losses recognized in OCI are transferred to profit or loss and the hedge is unwound. In the case of a sale transaction, the effective portion is recognized as revenue, whereas in the case of a procurement transaction the cost is adjusted accordingly.

As of December 31, 2013, gains of EUR 1,027 thousand (previous year: EUR 847 thousand) and losses of EUR 1,321 thousand (previous year: EUR 736 thousand) from currency derivatives were recognized directly in equity.

In the course of the fiscal year, EUR 1,189 thousand (previous year: EUR 665 thousand) was recognized in the income statement due to the hedged items being recognized in the balance sheet, and EUR (272) thousand (previous year: EUR 252 thousand) was offset against the cost of assets. The amounts recognized in the income statement resulted in an increase in revenue of EUR 531 thousand (previous year: EUR 1,050 thousand). In addition, gains of EUR 1,455 thousand (previous year: gains of EUR 845 thousand) and losses of EUR (400) thousand (previous year: losses of EUR (1,231) thousand) were reported in net exchange rate gains/losses.

As in the previous year, there was no significant hedge ineffectiveness.

78 percent (previous year: 87 percent) of the hedged cash flows from the underlying transactions designated at the reporting date are expected to fall due in the following year. The remaining 22 percent (previous year: 13 percent) are due by 2017 (previous year: 2015). If financial assets are hedged, the derivatives are recognized in the income statement at the same time as the hedged items are recognized in the income statement and balance sheet. If financial liabilities from procurement transactions are hedged, the derivatives are recognized in the income statement when the purchased goods or services are recognized in the income statement.

Derivative financial instruments not included in recognized hedging relationships

If the criteria for recognizing a hedging relationship are not met, any change in fair value is recognized in the income statement.

Income and expenses

The measurement effects from financial instruments have largely been recognized in profit or loss. The following table shows net income from financial instruments, broken down by the IAS 39 measurement categories:

	01/01/2013 - 12/31/2013			01/01/2012 - 12/31/2012		
	Net income	**of which interest income/ expense**	**of which impairment losses/ reversals of impairment losses**	**Net income**	**of which interest income/ expense**	**of which impairment losses/ reversals of impairment losses**
	(EUR thousand)					
Loans and receivables	7,966	8,497	37	3,267	7,516	(2,251)
Available-for-sale investments	139	1	—	(70)	—	(113)
Financial assets/liabilities at fair value through profit or loss	1,778	—	—	433	—	—
Financial liabilities at amortized cost	(16,581)	(17,552)	—	(20,286)	(21,057)	—
Total	**(6,698)**	**(9,054)**	**37**	**(16,656)**	**(13,541)**	**(2,364)**

6. Combined income statement disclosures

6.1 Revenue

Revenue is composed of the following items:

	01/01/2013 - 12/31/2013	01/01/2012 - 12/31/2012
	(EUR thousand)	
From construction contracts	477,871	536,418
of which from third parties	465,628	526,723
of which from GEA Group AG and affiliated companies	5,948	1,864
of which from other equity investment	6,295	7,831
From sale of goods and services	833,009	869,555
of which from third parties	785,012	824,429
of which from GEA Group AG and affiliated companies	28,511	26,686
of which from other equity investment	19,486	18,440
From service agreements	178,187	202,796
of which from third parties	174,976	199,241
of which from GEA Group AG and affiliated companies	2,896	2,550
of which from other equity investment	315	1,005
Total	**1,489,067**	**1,608,769**

6.2 Other income

Other income is composed of the following items:

	01/01/2013 - 12/31/2013	01/01/2012 - 12/31/2012
	(EUR thousand)	
Exchange rate gains	14,555	15,680
Gains on the measurement of foreign currency derivatives	4,253	3,814
Rental and lease income	165	218
Income from payments received on reversals previously written off	1,826	986
Income from disposal of non-current assets	599	1,721
Income from compensation payments and cost reimbursements	256	259
Miscellaneous other income	13,665	12,272
Total	**35,319**	**34,950**

Other income includes EUR 168 thousand (previous year: EUR 576 thousand) in income from GEA Group AG and affiliated companies.

6.3 Other expenses

Other expenses are composed of the following items:

	01/01/2013 - 12/31/2013	01/01/2012 - 12/31/2012
	(EUR thousand)	
Exchange rate losses	14,784	18,029
Losses on the measurement of foreign currency derivatives	2,475	3,381
Bad debt allowances on trade receivables	1,401	1,804
Restructuring expenses	2,688	3,891
Cost of money transfers and payment transactions	262	236
Losses on the disposal of non-current assets	943	641
Miscellaneous other expenses	20,133	27,635
Total	**42,686**	**55,617**

Other expenses include EUR 5,335 thousand (previous year: EUR 9,730 thousand) in expenses payable to third parties and EUR 14,798 thousand (previous year: EUR 17,905 thousand) in expenses payable to GEA Group AG and affiliated companies. These primarily comprise costs recharged by GEA companies for services received, such as IT services.

Restructuring expenses

The restructuring expenses in the amount of EUR 2,688 thousand (previous year: EUR 3,891 thousand) were mainly due to capacity adjustment measures in particular in Brazil and Germany (previous year: due to the closure of production sites in Brazil and Turkey).

The restructuring expenses are composed of the following items:

	01/01/2013 - 12/31/2013	01/01/2012 - 12/31/2012
	(EUR thousand)	
Severance pay	2,228	2,034
Reversal of impairment losses on non-current assets	—	(1,829)
Impairment on current assets	—	715
Other restructuring costs	460	2,971
Total	**2,688**	**3,891**

Other restructuring expenses include expenses for advisory services.

6.4 Presentation of selected income and expenses by cost type

Cost of materials

The cost of materials included in cost of sales decreased by EUR 71,049 thousand in the reporting period to EUR 804,688 thousand (previous year: EUR 875,737 thousand). Cost of materials was 54.0 percent of gross revenue and was therefore lower than the previous year's figure of 54.8 percent.

Personnel expenses

Personnel expenses increased by EUR 254 thousand in 2013 to EUR 350,962 thousand (previous year: EUR 350,708 thousand). The interest cost on expected pension obligations is not recognized under personnel expenses, but under financial and interest expenses. Personnel expenses include wages and salaries in the amount of EUR 288,727 thousand (previous year: EUR 287,403 thousand) as well as social security contributions and expenses for post-employment benefits of EUR 62,235 thousand (previous year: EUR 63,305 thousand). The ratio of personnel expenses to revenue thus rose to 23.5 percent of gross revenue (previous year: 21.9 percent).

Depreciation, amortization, and impairment losses

Depreciation, amortization, and impairment losses totaling EUR 39,482 thousand (previous year: EUR 40,527 thousand) were charged on property, plant, and equipment, investment property, and intangible assets in the reporting period. Depreciation, amortization, and impairment losses are largely included in cost of sales.

Impairment losses on non-derivative financial assets excluding trade receivables amounted to EUR 378 thousand in the reporting period (previous year: EUR 1,546 thousand). EUR 10 thousand of this amount (previous year: EUR 112 thousand) was attributable to non-current financial assets. Impairment losses on equity investments and marketable securities are contained in the financial expenses item. Inventories were written down by EUR 1,200 thousand (previous year: EUR 1,687 thousand). The remaining impairment losses form part of the cost of sales.

6.5 Other financial income and interest income

Other financial income

Other financial income is composed of income from reversals of impairment losses on financial instruments, income from profit transfers, and investment income from other equity investments:

	01/01/2013 - 12/31/2013	01/01/2012 - 12/31/2012
	(EUR thousand)	
Income from profit transfer agreements	—	178
Income from other equity investments	176	157
of which from unconsolidated companies	48	114
Total	**176**	**335**

Interest income

Interest and similar income is composed of the following items:

	01/01/2013 - 12/31/2013	01/01/2012 - 12/31/2012
	(EUR thousand)	
Interest income on receivables, cash investments and marketable securities	8,433	7,437
of which from third parties	2,332	2,352
of which from GEA Group AG and affiliated companies	6,003	4,984
of which from other equity investments	98	101
Other interest income	65	79
of which from third parties	65	79
Total	**8,498**	**7,516**

The following table shows the interest income on financial instruments broken down by the IAS 39 measurement categories, along with the interest income on assets measured in accordance with other pronouncements:

	01/01/2013 - 12/31/2013	01/01/2012 - 12/31/2012
	(EUR thousand)	
Loans and receivables	8,497	7,516
of which from third parties	2,396	2,431
of which from GEA Group AG and affiliated companies	6,003	4,984
of which from other equity investments	98	101
Total	**8,498**	**7,516**

6.6 Other financial expenses and interest expenses

Other financial expenses

Other financial expenses for fiscal year 2013 amounted to EUR 378 thousand (previous year: EUR 1,546 thousand) and consist solely of impairment losses on financial assets (excluding trade receivables).

Interest expense

Interest and similar expenses comprised the following items:

	01/01/2013 - 12/31/2013	01/01/2012 - 12/31/2012
	(EUR thousand)	
Interest expenses on financial liabilities	16,378	19,612
of which from third parties	500	2,042
of which from GEA Group AG and affiliated companies	15,878	17,569
of which from other equity investments	—	1
Interest cost from discounting unwinding on defined benefit obligations	747	742
Interest cost from discounting unwinding on discounted provisions and other employee benefit obligations	137	3
Other interest expenses	1,552	1,878
of which from third parties	1,552	1,878
Total interest expenses	**18,814**	**22,235**

The following table shows the interest expenses on financial instruments broken down by the IAS 39 measurement categories, along with the interest expenses on liabilities measured in accordance with other pronouncements:

	01/01/2013 - 12/31/2013	01/01/2012 - 12/31/2012
	(EUR thousand)	
Financial liabilities at amortized cost	17,552	21,057
of which from third parties	1,674	3,487
of which from GEA Group AG and affiliated companies	15,878	17,569
of which from other equity investments	—	1
Financial liabilities not measured in accordance with IAS 39	1,262	1,178
of which from third parties	1,262	1,178
Total	**18,814**	**22,235**

If finance can be allocated to a specific investment, the actual borrowing costs are capitalized as part of the cost of the investment. Where no direct relationship can be established, an average interest rate for borrowings in the current period is used as the capitalization rate. This amounted to 3.5 percent in fiscal year 2013 (previous year: 3.8 percent). Interest income generated on advance payments and progress payments received reduces the cost of the asset. In fiscal year 2013, net interest income of EUR 86 thousand (previous year: EUR 473 thousand) was allocated to the cost of assets.

In fiscal year 2013, expenses totaling EUR 262 thousand (previous year: EUR 236 thousand) were incurred for fees that were not included in the calculation of the effective interest rate.

6.7 Taxes on income

The income tax expense is calculated on the basis of HX Group's structure under company law as of December 31, 2013, following the implementation of the restructuring measures under company law planned by the management of GEA Group AG for 2013 (see also section 1).

The income tax expense is composed of the following items:

	01/01/2013 - 12/31/2013	01/01/2012 - 12/31/2012
	(EUR thousand)	
Current taxes	32,780	30,210
Germany	8,049	11,257
Other countries	24,731	18,953
Deferred taxes	112	6,914
Total	**32,892**	**37,124**

The expected tax expense is calculated using the tax rate of 29.85 percent (previous year: 29.60 percent) applicable to HX companies in separate tax groups. This includes an average trade tax rate of 14.02 percent (previous year: 13.77 percent) in addition to the uniform corporate income tax rate of 15.00 percent (previous year: 15.00 percent) and the solidarity surcharge of 0.825 percent (previous year: 0.825 percent). The following table shows a reconciliation to the effective tax rate of 31.04 percent (previous year: 31.92 percent):

	01/01/2013 - 12/31/2013		01/01/2012 - 12/31/2012	
	(EUR thousand)	(%)	(EUR thousand)	(%)
Profit before tax	**105,982**	—	**116,297**	—
Expected tax expense	31,636	29.85	34,424	29.60
Non-tax deductible expense	434	0.41	1,417	1.22
Tax-exempt income	(1,001)	(0.94)	(2,399)	(2.06)
Change in valuation allowances	2,405	2.27	5,792	4.98
Change in tax rates	(302)	(0.28)	1,626	1.40
Foreign tax rate differences	(4,320)	(4.08)	(4,611)	(3.97)
Other income taxes	4,391	4.14	3,081	2.65
Other	(351)	(0.33)	(2,206)	(1.90)
Income tax and effective tax rate	**32,892**	**31.04**	**37,124**	**31.92**

The foreign tax rate differences are due to different tax rates outside Germany in comparison to the German tax rate of 29.85 percent (2012: 29.60 percent). The tax rates for foreign companies varied between 0.00 percent (UAE) and 37.25 percent (U.S.A.) in 2013. Material tax rate differences arose in China, the Czech Republic, Poland, and Russia.

Other income tax is attributable to foreign withholding taxes amounting to EUR 810 thousand and other foreign income taxes amounting to EUR 3,581 thousand. The significant foreign income taxes of EUR 2,695 thousand are attributable to potential tax backpayments for previous years.

Deferred tax assets and liabilities can be broken down into current and non-current assets and liabilities as follows:

	12/31/2013	12/31/2012
	(EUR thousand)	
Current deferred tax assets	23,804	23,689
Non-current deferred tax assets	23,769	28,247
Total deferred tax assets	47,573	51,936
Current deferred tax liabilities	7,169	8,093
Non-current deferred tax liabilities	15,430	17,270
Total deferred tax liabilities	22,599	25,363
Net deferred tax assets	24,974	26,573

Deferred tax assets and liabilities as of December 31, 2013 are composed of the following items:

	Deferred tax assets		Deferred tax liabilities	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
	(EUR thousand)			
Property, plant and equipment	4,460	3,055	10,577	9,015
Intangible assets	327	1,077	7,962	9,050
Goodwill	9,848	12,721	809	737
Other non-current financial assets	691	92	42	53
Non-current assets	**15,326**	**16,945**	**19,390**	**18,855**
Inventories	10,875	10,014	525	405
Trade receivables	2,733	2,425	9,401	8,290
Other current financial assets	1,599	1,400	1,565	3,107
Cash and cash equivalents	51	78	—	—
Current assets	**15,258**	**13,917**	**11,491**	**11,802**
Total assets	**30,584**	**30,862**	**30,881**	**30,657**
Provisions	1,158	2,515	—	1
Employee benefits	3,502	3,519	91	—
Non-current financial liabilities	28	33	32	—
Other non-current financial liabilities	597	—	82	23
Non-current liabilities	**5,285**	**6,067**	**205**	**24**
Provisions	7,617	6,232	665	455
Employee benefits	3,107	2,955	48	108
Current financial liabilities	2,053	2,089	—	3
Trade payables	678	595	78	5,566
Other current financial liabilities	1,658	8,023	1,581	710
Current liabilities	**15,113**	**19,894**	**2,372**	**6,842**
Total liabilities	**20,398**	**25,961**	**2,577**	**6,867**
Valuation allowances on temporary differences	(278)	(449)	—	—
Deferred taxes on temporary differences	**50,704**	**56,374**	**33,458**	**37,524**
Tax loss carryforwards	23,532	33,076	—	—
Valuation allowances on tax loss carryforwards	(15,804)	(25,353)	—	—
Offsetting of deferred taxes	(10,859)	(12,161)	(10,859)	(12,161)
Recognized deferred taxes	**47,573**	**51,936**	**22,599**	**25,363**

In addition to changes of EUR (112) thousand recognized in profit or loss (previous year: EUR (6,914) thousand) and changes of EUR (112) thousand recognized in other comprehensive income (previous year: EUR 2,197 thousand) changes in deferred tax balances resulted mainly from changes taken directly to equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred taxes relate to income taxes levied by the same taxation authority.

No deferred tax assets were recognized for tax loss carryforwards in the amount of EUR 112,953 thousand as of December 31, 2013 (previous year: EUR 174,883 thousand), as their utilization is not sufficiently certain. Of these loss carryforwards, EUR 56,168 thousand relates to U.S. state tax (previous year: 83,583 thousand). Most of the tax loss carryforwards that can be carried forward for an indefinite period are in Brazil and Sweden. Other foreign tax loss carryforwards can generally only be utilized for a limited period. The significant tax loss carryforwards that can be carried forward for a limited period are expected to expire in 2029.

7. Contingent liabilities, other financial obligations and litigation

7.1 Contingent liabilities

HX Group does not have any material contingent liabilities.

Contingent liabilities for which the primary debtor is an HX Group company, and for which GEA Group AG has issued or instructed the issue of bank or group guarantees in favor of customers or lenders are not considered to be contingent liabilities by HX Group. Information on the relevant transactions is presented in the disclosures on related party transactions (section 8.3).

7.2 Other financial obligations

Other financial obligations as of December 31, 2013, are composed of the following items:

	12/31/2013	12/31/2012
	(EUR thousand)	
Rental and lease obligations	58,443	63,127
Purchase commitments	137,032	173,404
Total	**195,475**	**236,531**

Rental and lease agreements

Obligations under rental and lease agreements amounting to EUR 58,443 thousand (previous year: EUR 63,127 thousand) relate primarily to land and buildings, and to a lesser extent to technical equipment and machinery. The leases run until no later than 2031 (previous year: 2031). Payments are spread over future fiscal years as follows:

	12/31/2013	12/31/2012
	(EUR thousand)	
Not later than one year	19,323	16,267
Between one and five years	29,741	33,238
Later than five years	9,379	13,622
Total	**58,443**	**63,127**

Expenses related to rental and lease agreements in fiscal year 2013 amounted to EUR 28,268 thousand (previous year: EUR 26,879 thousand). EUR 4,339 thousand of this amount (previous year: EUR 4,380 thousand) was attributable to variable rents, which are primarily adjusted based on consumer price indexes.

Purchase commitments

EUR 134,306 thousand (previous year: EUR 170,749 thousand) of the purchase commitments is attributable to inventories and EUR 1,279 thousand (previous year: EUR 1,179 thousand) to items of property, plant, and equipment.

7.3 Litigation

Dispute with a subcontractor in connection with a major order

The disputes in the previous year with a subcontractor engaged to construct a component in connection with HX Group's performance of a general contractor agreement in South Africa for six power plant air cooling systems with an initial total contract value of around EUR 320 million continued in the year under review. The disputes concern opposing views regarding the selection and installation of securing bolts and the paint to be applied by the subcontractor, with significant amounts involved in both cases. The contract includes provisions regarding the performance of these two services by the subcontractor, according to which the subcontractor has technical responsibility in both cases. However, the subcontractor asserts that it was given incorrect technical specifications. Both disputes were brought before a court of arbitration following the completion of the respective out-of-court mediation proceedings. Both arbitration proceedings are still in the early stages. Additionally, the subcontractor made significant compensation claims for additional personnel and materials costs due to alleged disruptions and delays to the construction schedule. These significant additional costs mainly relate to the disruptions and delays. HX Group's management believes these to be the responsibility of the customer, and that the additional costs will therefore be recharged to the customer provided the claims are justified in principle and in terms of their amount. Moreover, the subcontractor again asserted significant compensation claims for additional wage expenses, which are attributable to an increase in construction site rates that was approved by the end customer. Here, too, HX Group's management believes that there is a right to recharge these amounts to the customer, who can in turn assert these claims against the end customer.

Court proceedings with a power plant air cooling system contractor

An Italian contractor was subcontracted to construct a component in connection with a general contractor agreement for a power plant air cooling system in Greece. Contract performance by this contractor was delayed and, moreover, defective. Consequently, a right of set-off was asserted against the contractor and the fee was not paid in full. The contractor considers the set-off to be unjustified and initiated proceedings for payment of the full fee. The court proceedings at the Bochum Local Court to determine the extent to which the amount claimed is justified were continued in fiscal year 2013. The substance of the alleged defects was largely confirmed by detailed evidence regarding the existence and extent of the construction defects.

General

Adequate provisions have been recognized for all risks arising from both the legal disputes described above and other legal disputes being pursued by HX Group in the course of its ordinary operating activities. However, the outcome of these proceedings cannot be predicted with any degree of certainty. It is therefore possible that the conclusion of the proceedings may result in expenses that exceed the amounts that may have been set aside for them.

8. Other disclosures

8.1 Combined cash flow statement disclosures

Cash flow from financing activities includes the cash inflows and outflows from financing transactions with GEA Group Aktiengesellschaft and affiliated companies in particular. These include EUR 236,880 thousand (previous year: EUR (19,805) thousand) for payments related to borrowing and repaying loans, as well as changes in the cash pool position.

Furthermore, cash inflows and outflows of EUR 27,787 thousand (previous year: EUR (2,600) thousand) from the purchase and sale of assets and liabilities, as well as from the purchase and sale of equity investments are recognized in cash flow from financing activities if the corresponding activities, assets, and liabilities are attributable economically to GEA Group's other activities, rather than to HX Group. Since these are not reported in the financial statements of HX Group, the resulting cash flows do not form part of HX Group's investment activities. In the same way, cash outflows of EUR 312,646 thousand (previous year: EUR 0 thousand) from the purchase of assets and liabilities, as well as from the purchase of internal GEA Group equity investments were likewise recognized in cash flow from financing activities if the corresponding activities, assets, and liabilities were previously reported in the financial statements of HX Group on the basis of economic attribution. These cash flows are also not attributable to HX Group's investment activities. Cash flow from financing activities also includes EUR (67,183) thousand (previous year: EUR (75,597) thousand) for payments under profit transfer agreements and dividend payments between HX Group companies and GEA Group.

Payments to acquire subsidiaries and other businesses in 2013 comprise contingent purchase price payments of EUR 500 thousand (previous year: EUR 500 thousand) and subsequent purchase price payments of EUR 1,000 thousand (previous year: EUR 1,000 thousand).

8.2 Government grants

Government grants related to income amounting to EUR 512 thousand were received in fiscal year 2013 (previous year: EUR 364 thousand). Grants related to assets amounting to EUR 83 thousand (previous year: EUR 210 thousand) were deducted from the carrying amounts of the assets concerned. In fiscal year 2013, expenses of EUR 5 thousand (previous year: EUR 0 thousand) were incurred for the potential repayment of grants received.

8.3 Related party disclosures

8.3.1 Related party transactions

HX Group is a component of the entity that is reported as a segment in accordance with IFRS 8 in GEA Group's IFRS consolidated financial statements. Consequently, HX Group does not act as an independent company but represents a component of GEA Group that is managed as a whole by the Executive Board of GEA Group AG. In this connection, GEA Group AG and its subsidiaries perform certain central services for HX Group. In addition, GEA Group AG grants HX Group the right to use the GEA trademark (see section 1). Capital management and liquidity risk management for HX Group are also performed at the level of GEA Group AG, as part of the financial management of the overall GEA Group. For example, HX Group is largely financed by GEA Group, partially via finance facilities and partially via cash pools set up by GEA Group (see section 3). This includes both HX Group's use of GEA Group AG guarantee lines with banks and the issuance of group guarantees by GEA Group AG in favor of HX Group customers (see below).

Since HX Group is controlled by GEA Group AG, GEA Group AG and its affiliates qualify as related parties of HX Group.

Transactions between the companies included in HX Group's combined financial statements have been eliminated in the course of consolidation.

Income and expenses from HX Group's transactions with GEA Group AG and its associates are composed of the following items:

	Revenue	Other income	Purchases of goods and services	Other expenses	Interest income	Interest expense
			(EUR thousand)			
01/01/2013 - 12/31/2013						
GEA Group and consolidated companies	36,803	168	11,849	3,605	6,003	15,878
Other GEA Group AG equity investments	552	—	—	—	—	—
01/01/2012 - 12/31/2012						
GEA Group and consolidated companies	30,837	576	14,823	4,438	4,984	17,548
Other GEA Group AG equity investments	263	—	—	—	—	21

As of the reporting date, there were the following open items from transactions between HX Group on the one hand and GEA Group AG and its affiliates on the other:

	Trade receivables	Trade payables	Other financial assets	Financial liabilities and other liabilities
	(EUR thousand)			
12/31/2013				
GEA Group and consolidated companies	10,658	5,345	227,216	291,329
Other GEA Group AG equity investments	86	482	—	4
12/31/2012				
GEA Group and consolidated companies	8,242	2,978	367,386	578,833
Other GEA Group AG equity investments	19	225	2	5

The outstanding amounts will be settled by bank transfer and are unsecured.

Income and expenses from transactions with HX Group companies and joint ventures not included in the combined financial statements are composed of the following items:

	Revenue	Other income	Purchases of goods and services	Other expenses	Interest income	Interest expense
	(EUR thousand)					
01/01/2013 - 12/31/2013						
Unconsolidated companies	15,247	—	21	—	91	—
Joint ventures	10,849	—	34	—	7	—
01/01/2012 - 12/31/2012						
Unconsolidated companies	18,586	1	20	—	101	1
Joint ventures	8,690	—	—	—	—	—

As of the reporting date, there were the following open items from transactions between HX Group companies and joint ventures not included in the combined financial statements:

	Trade receivables	Trade payables	Other receivables	Other liabilities
	(EUR thousand)			
12/31/2013				
Unconsolidated companies	2,929	207	2,008	198
Joint ventures	875	343	425	—
12/31/2012				
Unconsolidated companies	4,483	95	1,367	176
Joint ventures	1,287	583	450	—

The outstanding amounts will be settled by bank transfer and are unsecured.

Transactions in connection with legal restructuring measures

Various legal restructuring measures and other transactions to bundle HX Group's activities under a single parent company (target structure) were implemented at the end of fiscal year 2013 in preparation for GEA Group's planned separation of HX Group. The counterparties to the transactions conducted with HX Group were companies affiliated with GEA Group. The transactions related mainly to the purchase and sale of equity interests. Within these restructuring measures, decisions on changes to the carve-out basis were also taken into account in individual cases, *i.e.*, decisions on which assets, liabilities, and companies are attributable to HX Group, since they will be included in the planned separation of HX Group from GEA Group (see also section 2.1). These transactions were accounted for on a predecessor basis by recognizing in equity any differences between the consideration and the carrying amount attributable to the contributory or withdrawal character of the transactions in accordance with the principles set out in section 1.

The overall impact of the allocations on the combined financial statements was as follows:

Assets	EUR (66,441) thousand
Liabilities	EUR (186,207) thousand
Equity	EUR 119,766 thousand

The transferred assets and liabilities (EUR 119,766 thousand net) primarily relate to net liabilities to GEA Group companies.

The above figures include a withdrawal from assets and liabilities that were no longer allocated to HX Group, as these are to remain with GEA Group following the planned separation of HX Group. This means that only assets and liabilities that are not attributable to HX Group remain with HX Group's former management holding company. As a result, these were no longer included in the combined financial statements of HX Group. The assets and liabilities transferred in this way primarily relate on the one hand to a net financial liability of EUR 112,221 thousand. The resulting increase in combined equity corresponds to the contributory character of the transaction. On the other hand, a net financial liability in the amount of EUR 297,743 thousand resulting from the restructuring measures described above was withdrawn. Both the origination of this liability in connection with the restructuring measures and its subsequent withdrawal were recognized directly in equity. Overall, the withdrawal of this company increased equity by EUR 112,221 thousand. Since the net financial liability of EUR 112,221 thousand was withdrawn as of the end of the year, the interest expense attributable to this net liability in the fiscal year was recognized in the income statement.

The above figures also include the acquisition of an administrative building and the accompanying land in Bochum by HX Group. Prior to the acquisition, the building was mainly used by HX Group under an operating lease. HX Group therefore recognized a corresponding rental expense for the period up to the completion of the sale. The purchase price paid for the land (EUR 810 thousand) was below the carrying amount recognized in the consolidated financial statements of GEA Group AG and the fair value. The land was reported in the combined financial statements of HX Group in accordance with the presentation principles and had a carrying amount of EUR 8,500 thousand. The remaining difference to the purchase price paid was recognized as a contribution.

Bank guarantees and GEA Group AG guarantees

The HX companies utilized bank guarantee lines of GEA Group AG and also arranged for the issue of GEA Group AG group guarantees in favor of customers in fiscal year 2013.

The beneficiaries are entitled to draw on the guarantees under certain parameters set out in the guarantee. Potential underlying contractual obligations include late or defective delivery, noncompliance with warranted performance parameters, or failure to repay loans in accordance with the contractual requirements.

The costs for bank guarantees are invoiced directly to the HX company concerned by the issuer of the guarantee (credit institution or insurance company). GEA Group AG also recharges the guarantee commission for group guarantees issued to the customer (HX company).

The obligations presented in the following table relate to contingent liabilities for which the primary debtors in the underlying transactions (*e.g.*, deliveries) are HX Group companies, and for which bank guarantee lines of GEA Group AG were utilized or GEA Group AG group guarantees were issued in favor of customers or lenders.

	Bank guarantees		**Group guarantees**	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
	(EUR thousand)			
Advance payment guarantees	47,756	49,513	2,638	2,675
Warranties	40,100	40,360	2,760	2,643
Performance guarantees	106,281	121,909	379,581	436,990
Other declarations of liability	12,788	21,720	73,505	171,279
Total	**206,925**	**233,502**	**458,484**	**613,587**

8.3.2 Remuneration of HX Group management

HX Group's key management personnel received total remuneration of EUR 2,491 thousand in fiscal year 2013 (previous year: EUR 1,923 thousand). This is composed of the following components:

	2013	**2012**
	(EUR thousand)	
Short term	2,130	1,738
Post-employment benefits	184	83
Share-based payments	177	102
Total	**2,491**	**1,923**

There were no other transactions by HX Group's management or its related parties in either the reporting or the comparative period.

9. Segment reporting

9.1 Disclosures by segment

HX Group's business activities are divided into the following seven segments (also referred to as "business units"):

- Air Cooled Condensers/Heller (ACC-H) develops, produces, and markets dry and combined dry/wet cooling systems. Its main customers are companies in the energy and oil and gas industries. Air cooled condensers, Heller systems, and other indirect dry cooling systems offer technical solutions for cooling and condensing steam in thermal power plants and various other applications.
- Air Fin Cooler Compact Systems (AFC-CS) develops compact heat exchangers for two main applications: cooling diesel and gas engines, generators, and electric motors, and for commercial and industrial cooling in various industries.
- Air Fin Cooler Single Tube (AFC-ST) covers two business areas: air fin cooler projects for oil and gas customers, as well as air heaters/dryers, and air preheaters and other components for customers in the cellulose, paper, chemicals, film and plastic, and energy sectors.
- Air Treatment (AT) provides a comprehensive range of HVAC solutions with a focus on commercial or industrial applications, such as data centers, office buildings, hospitals, hotels, shopping centers, and production buildings. This segment's portfolio includes central air handling units, fan coil units, close control units, chillers, and air filter systems.
- Plate Heat Exchangers (PHE) provides a range of gasketed, fully welded, and glazed plate heat exchangers that can be used in various applications in industries including the HVAC, energy, food, refrigeration, oil and gas, marine, and chemicals industries.
- Shell and Tube (S&T) provides shell-and-tube heat exchangers for niche applications. The segment mainly operates in the components and plant business, with a focus on the energy and oil and gas markets.
- Wet Cooling (WET) develops, produces, and sells wet cooling applications for a range of industrial clients – from large natural draft cooling towers to small- and mid-sized modular cooling towers. The segment also provides fill products for cooling towers and water and waste water treatment.

	ACC-H	AFC-CS	AFC-ST	AT	PHE	S&T	WET	Total of segments
				(EUR thousand)				
01/01/2013 - 12/31/2013								
External revenue	245,783	251,282	222,312	299,935	271,683	99,384	98,688	**1,489,067**
Intersegment revenue	(426)	11,606	1,384	197	767	126	1,564	**15,218**
Total revenue	245,357	262,888	223,696	300,132	272,450	99,510	100,252	**1,504,285**
Share of profit or loss of equity-accounted investments	200	—	—	—	—	—	434	**634**
EBITDA	16,352	38,579	26,276	29,450	27,735	13,789	8,213	**160,394**
Depreciation and amortization	4,126	8,632	6,173	5,916	7,126	2,853	1,788	**36,614**
EBIT	12,226	28,300	20,103	23,870	20,591	10,512	6,425	**122,027**
Additions in property, plant, and equipment, intangible assets, and goodwill	2,160	6,664	2,451	8,906	5,108	1,937	1,375	**28,601**
Additions to provisions	9,951	5,223	14,194	8,875	15,048	6,757	4,567	**64,615**

	ACC-H	AFC-CS	AFC-ST	AT	PHE	S&T	WET	Total of segments
				(EUR thousand)				
01/01/2012 - 12/31/2012								
External revenue	316,310	286,797	228,861	302,235	240,403	126,257	107,906	**1,608,769**
Intersegment revenue	(270)	11,803	2,630	103	720	714	327	**16,027**
Total revenue	316,040	298,600	231,491	302,338	241,123	126,971	108,233	**1,624,796**
Share of profit or loss of equity-accounted investments	524	—	—	—	—	—	333	**857**
EBITDA	29,699	43,866	18,504	22,258	22,257	22,007	7,842	**166,433**
Depreciation and amortization	4,025	7,565	6,212	7,202	6,767	3,079	2,385	**37,235**
EBIT	25,659	35,141	12,316	17,951	15,490	18,139	5,326	**130,022**
Additions in property, plant, and equipment, intangible assets, and goodwill	2,276	15,785	1,858	4,925	5,271	1,341	1,169	**32,625**
Additions to provisions	16,817	10,487	11,318	9,002	12,647	4,915	5,702	**70,888**

Sales	2013	2012
	(EUR thousand)	
Sales from construction contracts		
ACC - H	238,745	298,030
AFC - CS	7,168	6,674
AFC - ST	167,619	156,414
AT	62	79
PHE	3,907	8,253
S&T	28,009	39,174
WET	33,141	30,734
Consolidation	(780)	(2,940)
Total revenue from construction contracts	**477,871**	**536,418**
Sales components		
ACC - H	935	887
AFC - CS	238,064	272,904
AFC - ST	25,500	44,935
AT	268,903	271,285
PHE	241,598	208,705
S&T	48,966	57,026
WET	23,481	26,900
Consolidation	(14,438)	(13,087)
Total sales components	**833,009**	**869,555**
Total sales from service agreements		
ACC - H	5,677	17,123
AFC - CS	17,656	19,022
AFC - ST	30,577	30,142
AT	31,167	30,974
PHE	26,945	24,165
S&T	22,535	30,771
WET	43,630	50,599
Consolidation	—	—
Total revenue from service agreements	**178,187**	**202,796**
Total revenue	**1,489,067**	**1,608,769**

The segment asset recognition and measurement policies are the same as those used by HX Group and described in the accounting policies section. The profitability of the individual HX Group segments is measured using “earnings before interest and tax” (EBIT), as presented in the income statement.

Costs for the HX holding company and the management of HX Group, as well as expenses for administrative activities that cannot be clearly allocated to the segments are recognized in the “Administration” reconciling item. Since HX Group’s segment reporting is based on the figures reported in the consolidated financial statements of GEA Group AG, they do not contain any adjustments resulting from the standalone presentation of HX Group in the combined financial statements (see section 1). Any differences are recognized in the “Adjustments combined financial statements” reconciling item.

	2013	2012
	(EUR thousand)	
Total Segment EBITDA	**160,394**	**166,433**
Depreciation and amortization	(36,614)	(37,235)
Impairment losses and reversals	(1,753)	824
Total Segment EBIT	**122,027**	**130,022**
Administration	(6,750)	399
Adjustments combined financial statements	342	759
Consolidation	679	(164)
EBIT	**116,298**	**131,016**

The year-on-year increase in expenses recognized in the “Administration” reconciling item is mainly due to the reimbursement in 2013 of costs recharged to the HX Group segments in 2012.

9.2 Disclosures by geographic region

In the presentation of segment disclosures by geographic region, revenue is allocated by the destination of the goods or place of performance of the services, or by customer domicile. Assets are allocated by their location.

	Germany	Europe (excluding Germany)	North- and Latinamerica	Middle East	Asia/ Pacific	Africa	Total
				(EUR thousand)			
01/01/2013 - 12/31/2013							
External revenue	238,474	620,452	183,465	97,305	278,702	70,669	**1,489,067**
Non-current assets (property, plant and equipment and intangible assets)	121,991	191,950	40,780	2,668	49,002	3,172	**409,563**
01/01/2012 - 12/31/2012							
External revenue	231,544	595,938	225,341	135,116	272,399	148,431	**1,608,769**
Non-current assets (property, plant and equipment and intangible assets)	109,487	202,350	50,083	3,299	51,757	5,128	**422,104**

In the reporting period, revenue of EUR 113,647 thousand (previous year: EUR 109,009 thousand) was attributable to the United States of America and EUR 192,364 thousand (previous year: EUR 164,852 thousand) to the People's Republic of China. As of the reporting date, the carrying amounts of non-current assets (property, plant, and equipment and intangible assets) amounted to EUR 46,788 thousand (previous year: EUR 46,766 thousand) in the Netherlands, EUR 43,538 thousand (previous year: EUR 46,071 thousand) in the United Kingdom, and EUR 43,284 thousand (previous year: EUR 44,925 thousand) in China. There are no relationships with individual customers whose revenue can be considered material in comparison to HX Group's revenue.

10. Events after the end of the reporting period

Sale of land and buildings in Turkey

Land and buildings in Turkey not required for operating purposes that were reported as assets held for sale with a carrying amount of EUR 8,342 thousand as of December 31, 2013, were sold in February 2014.

11. List of companies included in the combined financial statements

The following list shows all of HX Group's companies and joint ventures.

Company	Head Office	Country	Shares %
Included companies			
Beijing GEA Energietechnik Co., Ltd.	Beijing	China	100.00
Bliss & Co. Ltd.	Fareham	Great Britain	100.00
Bliss Refrigeration Ltd.	Fareham	Great Britain	100.00
Bloksma Asia Ltd.	Hong Kong	China	100.00
Dobbelenberg S.A./N.V.	Haren, Brüssel	Belgium	100.00
Ecodelta Ltd.	Zarechny	Russian Federation	62.00
EGI Cooling System (China) Co. Ltd.	Tianjin	China	100.00
EGI Cooling Systems Trading (Beijing) Co.	Beijing	China	100.00
EGI Enerji Ins. Ic Ve Dis Tic. Ltd. Sti. i.L.	Ankara	Turkey	90.00
EGI Structura Kft. i.L.	Budapest	Hungary	76.00
GEA 2H Water Technologies GmbH	Wettringen	Germany	100.00
GEA 2H Water Technologies Ltd.	Northampton	Great Britain	100.00
GEA 2H Water Technologies s.r.o.	Jilove	Czech Republik	91.94
GEA 2H Water Technologies Sp. z.o.o.	Bytom	Poland	63.00
GEA Air Treatment GmbH	Herne	Germany	100.00
GEA Air Treatment Production GmbH	Wurzen	Germany	100.00
GEA Aircooled Systems (Pty) Ltd.	Germiston	South Africa	74.999
GEA Airflow Services SAS	Nantes	France	100.00
GEA Batignolles Technologies Thermiques Qatar L.L.C.	Doha	Qatar	100.00
GEA Batignolles Technologies Thermiques S.A.S.	Nantes	France	100.00
GEA Batignolles Thermal Technologies (Changshu) Co. Ltd.	Changshu	China	100.00
GEA Bloksma B.V.	Almere	Netherlands	100.00
GEA DELBAG SAS	Montry	France	100.00
GEA do Brasil Intercambiadores Ltda.	Franco da Rocha	Brazil	100.00
GEA Ecoflex (Asia) SDN. BHD.	Shah Alam, Selangor	Malaysia	100.00
GEA Ecoflex China Co. Ltd.	Shanghai	China	100.00
GEA Ecoflex GmbH	Sarstedt	Germany	100.00
GEA Ecoflex India Private Limited	Rabale Navi, Mumbai	India	98.00
GEA Ecoflex Middle East FZE	Dubai	United Arab Emirates	100.00
GEA EcoServe België	Zele	Belgium	100.00
GEA EcoServe Nederland B.V.	Belfeld	Netherlands	100.00
GEA EGI Energiagazdálkodási Zrt.	Budapest	Hungary	99.744
GEA Energietechnik Australia Pty. Ltd.	McDowall, Queensland	Australia	100.00
GEA Energietechnik GmbH	Bochum	Germany	100.00
GEA Energietechnik UK Limited	Moreton-On-Lugg, Hereford	Great Britain	100.00
GEA Ergé-Spirale et Soramat S.A.	Wingles	France	100.00
GEA Goedhart B.V.	Sint Maartensdijk	Netherlands	100.00
GEA Goedhart Holding B.V.	Sint Maartensdijk	Netherlands	100.00
GEA Happel Belgium N.V.	Haren, Brüssel	Belgium	100.00
GEA Happel Nederland B.V.	Capelle an der Yssel	Netherlands	100.00
GEA Happel SAS	Roncq	France	100.00
GEA Heat Exchangers (China) Co., Ltd.	Wuhu	China	97.39
GEA Heat Exchangers a.s.	Liberec	Czech Republik	100.00
GEA Heat Exchangers AB	Kalmar	Sweden	100.00
GEA Heat Exchangers Limited	Moreton-On-Lugg, Hereford	Great Britain	100.00
GEA Heat Exchangers OÜ	Tallinn	Estonia	100.00
GEA Heat Exchangers Pte. Ltd.	Singapur	Singapore	100.00
GEA Heat Exchangers S.r.l.	Monvalle	Italy	100.00
GEA Heat Exchangers, Inc.	Lakewood, Colorado	USA	100.00
GEA Heat Exchangers, S.A.U.	Igorre	Spain	100.00
GEA Industriebeteiligungen GmbH	Bochum	Germany	100.00

Company	Head Office	Country	Shares %
GEA ISISAN TESISAT INSAAT TAAHHÜT TICARET VE SANAYI A.S.	Istanbul	Turkey	100.00
GEA klima rashladna tehnika d.o.o.	Zagreb	Croatia	100.00
GEA Klima Sanayi ve Ticaret Anonim Sirketi	Istanbul	Turkey	100.00
GEA Klimatechnik GmbH	Gaspoltshofen	Austria	100.00
GEA Klimatechnika Kft.	Budapest	Hungary	100.00
GEA Klimatizacia s.r.o.	Bratislava	Slovakia	100.00
GEA Klimatizacijska tehnika d.o.o.	Ljubljana	Slovenia	100.00
GEA Klimatyzacja Spolka z o.o.	Wroclaw	Poland	100.00
GEA Küba GmbH	Baierbrunn	Germany	100.00
GEA Luftkühler GmbH	Bochum	Germany	100.00
GEA Maschinenkühltechnik GmbH	Bochum	Germany	100.00
GEA Mashimpeks OOO	Solnechnogorsk	Russian Federation	100.00
GEA Middle East LLC	Abu Dhabi	United Arab Emirates	49.00
GEA NEMA Wärmetauscher GmbH	Netzschkau	Germany	100.00
GEA Nilenca (Pty) Ltd.	Germiston	South Africa	74.833
GEA of Alabama, L.L.C.	Montgomery	USA	100.00
GEA Polacel Cooling Towers B.V.	Doetinchem	Netherlands	100.00
GEA Polacel Cooling Towers FZCO	Dubai	United Arab Emirates	100.00
GEA Polska Sp. z o.o.	Swiebodzice	Poland	100.00
GEA POWER COOLING TECHNOLOGY (CHINA) LTD.	Langfang	China	100.00
GEA Renzmann & Grünewald GmbH	Monzingen	Germany	100.00
GEA Saudi Arabia Limited	Al Khobar	Saudi Arabian	100.00
GEA Searle Ltd.	Fareham	Great Britain	100.00
GEA Shanxi Dry Cooling Design Ltd.	Taiyuan, Shanxi	China	60.00
GEA Sistemas de Resfriamento Ltda.	Indaiatuba	Brazil	100.00
GEA Technika Cieplna Spolka z o.o.	Opole	Poland	100.00
GEA Thermal Engineering Investments (Pty) Ltd.	Germiston	South Africa	100.00
GEA WTT GmbH	Nobitz-Wilchwitz	Germany	100.00
HX Holding GmbH	Bochum	Germany	100.00
OOO GEA Energietechnik	Moskau	Russian Federation	100.00
SC GEA KLIMATECHNIK S.R.L.	Timisoara	Rumania	100.00
SCI Sartrouville	Sartrouville	France	100.00
TOV GEA-Ukrayina	Kiev	Ukraine	100.00
UAB GEA Klimatechnik	Vilnius	Lithuania	100.00
Joint Ventures			
GEA Cooling Tower Technologies (India) Private Limited	Chennai, Madras	India	51.00
GEA Shanxi Thermal Equipment Company Ltd.	Taiyuan, Shanxi	China	48.00
RSZ Rott Sarstedt Zerspanung GmbH	Sarstedt	Germany	50.00
TANSA-CALDEMON UTE	Muriedas Ayuntam. de Camargo	Spain	50.00
Wuhan Bloksma Heat Exchangers Co. Ltd.	Wuhan	China	50.00
Other equity investments			
Arbeitsgemeinschaft Zellenkühleranlage KKW Isar GEA Energietechnik GmbH-Alpine Bau Deutschland AG	Bochum	Germany	55.02
KOS - GEA Korea Ltd.	Seoul	South Korea	25.00
TPK Mashimpeks	Moskau	Russian Federation	34.00

Düsseldorf, April 3, 2014

Christoph Michel

Michael Andersen

The following audit opinion has been issued in the German language according to the International Standards on Auditing (ISA) (V*ermerk des unabhängigen Abschlussprüfers*) and refers to the German version of the Combined Financial Statements for the financial year from January 1 to December 31, 2013 of the Heat Exchangers Group operations of GEA Group Aktiengesellschaft, Düsseldorf.

Independent Auditor's report

To GEA Group Aktiengesellschaft, Düsseldorf:

We have audited the accompanying Combined Financial Statements of the Heat Exchangers Group operations ("HX-Group") of GEA Group Aktiengesellschaft – which comprise the Combined Balance Sheet, the Combined Income Statement, Combined Statement of Comprehensive Income, Combined Cash Flow Statement, Combined Statements of Changes in Equity and the Notes to the Combined Financial Statements – for the period from January 1 to December 31, 2013.

Management's Responsibility for the Combined Financial Statements

HX-Group's Management is responsible for the preparation of these Combined Financial Statements that give a true and fair view of the financial position of HX-Group, its financial performance and its cash flows in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of Combined Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Combined Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Combined Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Combined Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Combined Financial Statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the Combined Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Combined Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Combined Financial Statements give a true and fair view of the financial position of HX-Group as at December 31, 2013 and the HX-Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 to the Combined Financial Statements, which explains the basis of preparation, including the approach to and the purpose for preparing them. The Combined Financial Statements were prepared to present the financial position of the operations of the HX-Group and its financial performance and cash flows. The Combined Financial Statements may not necessarily be representative for the financial performance that would have been achieved if the HX-Group had operated as an independent entity.

Düsseldorf, April 3, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:**]**

Dr. Zeimes Wirtschaftsprüfer **[**German Public Accountant**]**	Mehdi Zadegan Wirtschaftsprüferin [German Public Accountant**]**

Audited Combined Financial Statements of the Heat Exchangers Group for the financial years 2012 and 2011

in accordance with International Financial Reporting Standards as adopted by the European Union

Combined Balance Sheet

as of December 31, 2012

	Section	12/31/2012	12/31/2011	1/1/2011
			(EUR thousand)	
Assets				
Property, plant and equipment	5.1	254,227	272,883	279,305
Goodwill	5.2	121,418	120,642	111,953
Other intangible assets	5.3	46,459	47,777	50,759
Equity-accounted investments	5.4	5,832	4,975	4,224
Other non-current financial assets	5.5	67,651	7,268	9,664
Deferred taxes	7.7	51,936	58,317	62,159
Non-current assets		**547,523**	**511,862**	**518,064**
Inventories	5.6	181,832	198,358	177,147
Trade receivables	5.7	415,257	426,679	378,636
Income tax receivables	5.8	8,096	4,076	6,652
Other current financial assets	5.5	342,036	338,392	265,187
Cash and cash equivalents	5.9	148,221	164,152	155,280
Current assets		**1,095,442**	**1,131,657**	**982,902**
Assets held for sale	5.10	**9,124**	**—**	**460**
Total assets		**1,652,089**	**1,643,519**	**1,501,426**

	Section	12/31/2012	12/31/2011	1/1/2011
			(EUR thousand)	
Equity and liabilities				
Net assets attributable to GEA Group AG		372,370	350,296	449,338
Accumulated other comprehensive income		18,512	22,132	28,496
Non-controlling interests		1,805	258	1,824
Equity	6.1	**392,687**	**372,686**	**479,658**
Non-current provisions	6.2	9,687	9,010	16,555
Non-current employee benefit obligations	6.3	28,907	21,883	23,061
Non-current financial liabilities	6.4	252,854	71,696	72,929
Other non-current liabilities	6.7	4,833	5,517	1,306
Deferred taxes	7.7	25,363	26,203	24,209
Non-current liabilities		**321,644**	**134,309**	**138,060**
Current provisions	6.2	89,868	101,847	106,277
Current employee benefit obligations	6.3	36,374	44,692	53,688
Current financial liabilities	6.4	316,652	466,138	283,431
Trade payables	6.5	231,750	285,258	233,161
Income tax liabilities	6.6	19,910	20,726	20,575
Other current liabilities	6.7	243,204	217,863	186,576
Current liabilities		**937,758**	**1,136,524**	**883,708**
Total equity and liabilities		**1,652,089**	**1,643,519**	**1,501,426**

Combined Income Statement

for the period January 1 – December 31, 2012

	Section	01/01/2012 - 12/31/2012	01/01/2011 - 12/31/2011
		(EUR thousand)	
Revenue	7.1	1,608,769	1,616,808
Cost of sales		1,195,115	1,216,804
Gross profit		**413,654**	**400,004**
Selling expenses		156,226	149,903
Research and development expenses		12,179	11,833
General and administrative expenses		93,212	97,799
Other income	7.2	34,950	38,847
Other expenses	7.3	55,617	61,997
Share of profit or loss of equity-accounted investments		857	1,619
Other financial income	7.5	335	314
Other financial expenses	7.6	1,546	251
Earnings before interest and tax (EBIT)		**131,016**	**119,001**
Interest income	7.5	7,516	4,643
Interest expense	7.6	22,235	19,011
Profit before tax		**116,297**	**104,633**
Income taxes	7.7	37,124	37,366
of which current taxes		30,210	32,092
of which deferred taxes		6,914	5,274
Profit after tax		**79,173**	**67,267**
Combined profit for the period		**79,173**	**67,267**
of which attributable to shareholders of GEA Group AG		76,984	66,521
of which attributable to non-controlling interests		2,189	746

Combined Statement of Comprehensive Income

for the period January 1 – December 31, 2012

	Section	01/01/2012 - 12/31/2012	01/01/2011 - 12/31/2011
		(EUR thousand)	
Combined profit for the period		**79,173**	**67,267**
Exchange differences on translating foreign operations		(3,211)	(7,703)
of which changes in unrealized gains and losses		(3,211)	(7,703)
Result of cash flow hedges	6.8	(347)	1,541
of which changes in unrealized gains and losses		344	3,149
of which realized gains and losses		(917)	(949)
of which tax effect		226	(659)
Actuarial gains/losses on pension and other post-employment benefit obligations	6.3.1	(4,616)	(224)
of which changes in actuarial gains and losses		(6,587)	(305)
of which tax effect		1,971	81
Other comprehensive income		**(8,174)**	**(6,386)**
Combined total comprehensive income		**70,999**	**60,881**
of which attributable to GEA Group AG shareholders		68,748	59,933
of which attributable to non-controlling interests		2,251	948

Combined Cash Flow Statement

for the period January 1 – December 31, 2012

	Section	01/01/2012 - 12/31/2012	01/01/2011 - 12/31/2011
		(EUR thousand)	
Combined profit for the period		79,173	67,267
plus income taxes		37,124	37,366
Profit before tax		116,297	104,633
Net interest income	7.5/7.6	14,719	14,368
Earnings before interest and tax (EBIT)		**131,016**	**119,001**
Depreciation, amortization, impairment losses, and reversal of impairment losses on non-current assets		37,015	42,293
Other non-cash income and expenses		(1,721)	(520)
Employee benefit obligations		(802)	(641)
Change in provisions		(19,718)	(26,753)
Losses and disposal of non-current assets		(832)	(407)
Change in inventories including unbilled construction contracts*		47,473	(19,560)
Change in trade receivables		9,167	(27,232)
Change in trade receivables to GEA Group AG and affiliated companies		5,490	(3,399)
Change in trade payables		(54,556)	48,946
Change in trade payables to GEA Group AG and affiliated companies		(2,669)	3,890
Change in other operating assets and liabilities		(539)	(1,054)
Tax payments		(28,135)	(28,047)
Cash flow from operating activities		**121,189**	**106,517**
Proceeds from disposal of non-current assets		1,888	1,966
Payments to acquire property, plant and equipment, and intangible assets		(36,023)	(30,402)
Interest income		2,352	1,096
Dividend income		5,635	12,621
Payments to acquire companies and other businesses	4.5	(776)	(3,191)
Cash flow from investing activities		**(26,924)**	**(17,910)**
Payments to non-controlling interests		(704)	(201)
Payments from finance leases		(967)	(1,071)
Repayments of financing loans with third parties		(5,776)	(1,685)
Repayments of other transactions and financing with GEA Group AG and affiliated companies	9.1	(98,002)	(62,067)
Interest payments		(2,914)	(2,549)
Cash flow from financing activities		**(108,363)**	**(67,573)**
Effect of exchange rate changes on cash and cash equivalents		(3,709)	(7,517)
Change in unrestricted cash and cash equivalents		**(17,807)**	**13,517**
Unrestricted cash and cash equivalents at beginning of period		160,416	146,899
Unrestricted cash and cash equivalents at end of period	**5.9**	**142,609**	**160,416**
Restricted cash and cash equivalents	5.9	5,612	3,736
Cash and cash equivalents reported in the combined balance sheet	**5.9**	**148,221**	**164,152**

* Including advance payments received

Combined Statement of Changes in Equity

as of December 31, 2012

		Accumulated other comprehensive income					
	Net assets attributable to GEA Group AG	**Translation of foreign operations**	**Result of available-for-sale financial assets**	**Result of cash flow hedges**	**Total net assets attributable to GEA Group AG**	**Non-controlling interests**	**Total**
				(EUR thousand)			
Balance at Jan. 1, 2011	**449,338**	**29,610**	**—**	**(1,114)**	**477,834**	**1,824**	**479,658**
Income	66,521	—	—		**66,521**	746	**67,267**
Other comprehensive income	(224)	(7,905)	—	1,541	**(6,588)**	202	**(6,386)**
Total comprehensive income	66,297	(7,905)	—	1,541	**59,933**	948	**60,881**
Other changes in non-controlling interests	626	—	—	—	**626**	(2,514)	**(1,888)**
Capital transactions with GEA Group AG and affiliated companies*	(166,016)	—	—	—	**(166,016)**	—	**(166,016)**
Share-based payments	51	—	—	—	**51**	—	**51**
Balance at Dec. 31, 2011	**350,296**	**21,705**	**—**	**427**	**372,428**	**258**	**372,686**
Income	76,984		—		**76,984**	2,189	**79,173**
Other comprehensive income	(4,616)	(3,273)	—	(347)	**(8,236)**	62	**(8,174)**
Total comprehensive income	72,368	(3,273)	—	(347)	**68,748**	2,251	**70,999**
Other changes in non-controlling interests	—	—	—	—	**—**	(704)	**(704)**
Capital transactions with GEA Group AG and affiliated companies*	(50,358)	—	—	—	**(50,358)**	—	**(50,358)**
Share-based payments	64	—	—	—	**64**	—	**64**
Balance at Dec. 31, 2012	**372,370**	**18,432**	**—**	**80**	**390,882**	**1,805**	**392,687**

* See section 6.1

Notes to the Combined Financial Statements

1. Reporting principles

Background and general basis of preparation

The accompanying combined financial statements relate to Heat Exchangers Group, Bochum/ Germany (HX Group). HX Group is an entity reported as a segment in accordance with IFRS 8 in GEA Group's IFRS consolidated financial statements, which comprises GEA Group Aktiengesellschaft and its subsidiaries. The combined financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and related Interpretations issued by the International Accounting Standards Board (IASB), as adopted by the EU.

HX Group covers a wide variety of heat exchanger solutions and comes with one of the largest portfolios in this field worldwide. With its plate heat exchangers, shell and tube heat exchangers, finned tube heat exchangers, air cooled heat exchangers, wet cooling towers incl. fill media and dry cooling systems, as well as air treatment systems and air filter systems for numerous areas of application in the power, oil and gas, marine, climate and environment, chemicals, food and water and waste water markets – the HX Segment provides comprehensive coverage of the spectrum. The GEA HX Segment has a strong market position and its profitability has historically remained largely steady.

A key outcome of an in-depth strategic and technological review of the portfolio initiated by GEA Group AG's management in the fiscal year 2012 was that the Heat Exchangers (HX) business area no longer forms part of GEA Group's core business. The potential for synergies between the current HX Segment and the other GEA Group segments is limited due to their differing business profiles. GEA Group AG's Executive Board has therefore decided to dispose of the Heat Exchangers Segment in the medium term.

Overview of the companies included

The combined HX financial statements cover all companies that GEA Group's management has historically assigned to the HX Segment on an economic basis. Please refer to the list of companies presented in section 11 for details of the (combined) companies included in the combined financial statements, hereinafter referred to as companies, and the other investment relationships in HX's financial statements.

Presentation of the combined financial statements

The combined financial statements are the first combined financial statements of HX Group to be prepared in accordance with IFRSs. HX Group therefore applied IFRS 1 "First-time Adoption of International Financial Reporting Standards." HX Group generally applied IFRS 1.D16 (a), as HX Group became a first-time adopter later than its parent company. With the exception of the method used to account for employee benefits in accordance with IAS 19 (2011) "Employee Benefits" and share-based payments in accordance with IFRS 2 "Share-based Payments," the accounting policies and principles applied by HX Group for the preparation of the combined financial statements do not differ from those used by GEA Group for the preparation of the consolidated financial statements. Intercompany balances in the combined financial statements, such as income and expenses or unrealized gains and losses, resulting from transactions between HX companies are eliminated in the combined financial statements. Due to the preparation of the combined financial statements, HX Group's equity is reported differently to the method provided for in IAS 1 "Presentation of Financial Statements." The items "net assets attributable to GEA Group AG," "accumulated other comprehensive income," and "non-controlling interests" are presented in the standard format for reporting equity in combined financial statements. The net assets attributable to GEA Group AG include the equity recognized by GEA Group AG that is attributable to HX Group on an economic basis. For the companies within HX Group, the carrying amount of the investments in companies that are held by HX Group and the share in the net equity of each company has been consolidated. The net assets attributable to HX Group also include the undistributed profits of all HX Group companies, as well as actuarial gains and losses from defined benefit pension plans. Changes in equity outside profit or loss are reported in the "accumulated other comprehensive income" item if they do not relate to capital transactions with shareholders. Accumulated other comprehensive income comprises the effective portion of the change in fair value of derivatives designated as cash flow hedges and exchange rate gains or losses from the translation of the financial statements of companies whose functional currency differs from the functional currency.

Material transactions with GEA Group AG and its subsidiaries that are directly or indirectly controlled by GEA Group AG are reported as transactions with affiliated companies. The combined financial statements were prepared on a carve-out basis derived from the segment reporting in the consolidated financial statements of GEA Group AG. The aim was to consider the net assets, financial position, and results of operations, and cash flow of HX Group on a historical stand-alone basis. The combined financial statements of HX Group thus reflect the assets, liabilities, income and expenses, and inflows and outflows – including intercompany allocations – that are directly attributable to HX Group both on a historical basis and from an economic perspective based on the group accounting system of GEA Group AG.

Financial liabilities are also allocated to HX Group on a historical basis taking into account the existing legal repayment obligations to GEA Group AG. Consequently, the combined financial statements also report financial liabilities to GEA Group AG and affiliated companies if the financing is used to fund investments in GEA Group activities that are not recognized in the financial statements of HX Group. These transactions do not increase the net assets reported in HX Group's financial statements, as GEA Group activities are eliminated from the combined financial statements. The corresponding offsetting entry for the recognition of these liabilities by HX Group is recognized directly in equity, as it is attributable to GEA Group's control of HX Group and therefore considered as a distribution. Accordingly, these transactions are recognized in cash flow from financing activities in the combined cash flow statement rather than cash flow from investing activities.

Financial assets are also allocated to HX Group on a historical basis taking into account the legal right of control. Consequently, the combined financial statements also report financial assets resulting from the legal disposal of HX Group business activities which continue to be reported in the financial statements of HX Group. These transactions do not reduce the net assets reported in HX Group's combined financial statements, as the activities are not eliminated in the combined financial statements. These financial assets are treated in the same way as the corresponding financial liabilities: The offsetting item for these financial assets is also recognized directly in equity, as they are considered to be a contribution. These transactions are also reported under cash flow from financing activities in the combined cash flow statement.

There are profit transfer agreements between HX Group and GEA Group AG and its subsidiaries that do not belong to HX Group. The payments received from GEA Group AG and its subsidiaries that do not belong to HX Group under profit transfer agreements are recorded as an addition to equity in the period they are received; payments to GEA Group AG and its subsidiaries that do not belong to HX Group are presented as capital distributions.

In the periods presented, some of the HX Group companies are subject to individual taxation and some are included in an income tax group. The tax groups in Germany and abroad mainly comprise HX Group companies, but also include companies outside HX Group from other business areas of GEA Group. During the reporting period, there were income tax groups in Germany, Austria, Denmark, France, the Netherlands, the United Kingdom, and the U.S.A.

The companies that had previously been taxed on an individual basis remained subject to individual taxation for the purposes of the combined financial statements. The tax items of these companies were transferred unchanged to the combined financial statements from GEA Group AG's consolidated financial statements. Companies that belonged to an income tax group in the reporting period were also included in the tax group in HX Group's combined financial statements, insofar as possible in accordance with tax law requirements, particularly in respect of HX Group's structure under company law. Compliance with these requirements was based on HX Group's structure under company law as of December 31, 2013, following implementation of the company law restructuring measures planned for 2013 by GEA Group AG's management. If inclusion in an income tax group is not possible due to HX Group's structure under company law, the companies concerned are taxed on an individual basis. As a result, all companies in Germany that belonged to income tax groups in the reporting period continued to be presented as members of an income tax group, with two independent tax groups recognized in Germany. It was also possible to present the HX companies in the United Kingdom as members of an income tax group ("group relief"). Due to HX Group's structure under company law, it was not possible for the companies in Austria, Denmark, France, the Netherlands, and the U.S.A. to be included in a tax group. Consequently the tax items of these companies were recognized in the combined financial statements on an individual basis. It is assumed that the income tax liabilities calculated on the above basis will be paid in the following year. This gives rise to differences from the tax payments actually made by the HX Group companies. These differences are recognized directly in equity, as the assumption of HX Group's tax liabilities by GEA Group, or vice versa, is based on GEA Group's control of HX Group and is therefore considered as a contribution or distribution.

Given that none of HX Group's debt or equity instruments are traded in a public market and HX's financial statements have not been submitted to a supervisory authority or other supervisory organizations for the purpose of issuing any class of instruments in a public market, these financial statements do not include segment reporting in accordance with IFRS 8 "Operating Segments" or the presentation of (diluted) earnings per share in accordance with IAS 33 "Earnings per Share."

These combined financial statements have been prepared in euros (EUR). All amounts, including the prior-year figures, are presented in thousands of euros (EUR thousand). All amounts have been rounded using standard rounding rules. Adding together individual amounts may therefore result in differences in the order of EUR 1 thousand in certain cases.

To improve the clarity of presentation, various items in the combined balance sheet and income statement have been aggregated and are explained accordingly in the notes. Assets and liabilities are classified into current and non-current items. The combined income statement is prepared using the cost of sales method.

The combined cash flow statement is prepared using the indirect method for cash flow from operating activities and the direct method for cash flow from investing and financing activities.

Since HX Group is so far a segment of GEA Group, GEA Group AG and its subsidiaries provide central services to HX Group. The resulting service costs are charged to HX Group in the form of a management fee calculated on a cost-plus basis. The costs passed on to HX Group mainly relate to the central management of strategic, human resources, legal, tax, mergers & acquisitions, central financial management, group financial control, group accounting, investor and public relations, and internal audit. All directly attributable costs are initially allocated in full to the relevant HX Group company. For costs that are not directly attributable, the allocation key reflects the proportion of the relevant GEA Group company's revenue in relation to GEA Group's consolidated revenue or segment revenue. The specific allocation keys for each of the following cost centers are shown in brackets: ideas management (headcount), human resources (headcount), procurement (cost of materials), security management (travel costs), German Works Council (German headcount), and European Works Council (European headcount).

In addition, GEA Group AG charges the foreign companies in HX Group license fees for using the GEA trademark in the form of a trademark fee. The size of the license fee is based on the volume of revenue generated firstly with GEA Group's sales companies and secondly with customers not belonging to GEA Group.

Although it is not possible to estimate the actual costs arising from the purchase of third-party services provided by GEA Group with sufficient accuracy, the management of GEA Group AG and HX Group consider the allocation made to be appropriate. The HX Group figures and accounts presented in these combined financial statements are therefore not necessarily representative of the figures or accounts that would have been presented if HX Group was an independently operating enterprise or independent of GEA Group AG.

The members of the HX Group's management signing these combined financial statements approved these combined financial statements for publication on December 5, 2013.

Accounting pronouncements applied early

The following accounting standard was applied early for the preparation of the combined financial statements as of December 31, 2012:

IAS 19 "Employee Benefits" – published by the IASB in June 2011

The revised IAS 19 (2011) contains new requirements for the recognition of the effect of changes in actuarial assumptions. Under this standard, actuarial gains and losses must be recognized directly in other comprehensive income and must therefore be taken directly to equity. Immediate or deferred recognition in the income statement under the corridor approach, which was previously permitted, is no longer allowed. In addition, the revised IAS 19 replaces the expected return on plan assets and the interest expense from discounting of the pension obligation by a single net interest component. Moreover, past service cost is now recognized in full in the period in which the relevant changes to the plan are made. Furthermore, the revision to IAS 19 changed the requirements for recognizing termination benefits and extended the disclosure and explanation requirements to include, among other things, the presentation of the main characteristics of the pension plans and potential funding risks. Since HX Group has not previously published IFRS financial statements, information regarding effects on the net assets, financial position, and results of operations, as well as the transitional provisions under IAS 8.28, are superfluous. For detailed information on the accounting policies applied to employee benefits, see section 2.1.

Accounting pronouncements not yet applied

The following accounting standards and interpretations, as well as amendments to existing standards and interpretations, were published but not yet required to be applied to the preparation of the combined financial statements as of December 31, 2012:

Improvements to IFRSs 2011 – amendments under the IASB's annual improvement project – published by the IASB in May 2012

The IASB published the Annual Improvements to IFRS 2009 – 2011 Cycle as part of its Annual Improvements process to make minor amendments to standards and interpretations.

This collection of improvements contains minor amendments to a total of five standards. Subject to their endorsement by the EU, which is still outstanding, all of the amendments will be required to be applied for the first time in fiscal years beginning on or after January 1, 2013; earlier application is permitted. No effects are expected from the application of these amendments.

IAS 1 "Presentation of Financial Statements" – published by the IASB in June 2011

Under the revised IAS 1, other comprehensive income must be broken down into profit or loss that will subsequently be recycled to profit or loss as income or expense or that will remain directly in equity. The option remains to present items of other comprehensive income before or after tax. However, if the before-tax presentation is selected, the tax must be split between items that will subsequently be reclassified to profit or loss and those that will remain in equity.

The amendments to IAS 1 are required to be applied for fiscal years beginning on or after July 1, 2012; earlier application is permitted.

IFRS 10 "Consolidated Financial Statements," IFRS 11 "Joint Arrangements," IFRS 12 "Disclosure of Interests in Other Entities," consequential amendments to IAS 27 "Separate Financial Statements," and IAS 28 "Investments in Associates" – revised standards on accounting for interests in other entities and the corresponding disclosures in the notes to the financial statements – published by the IASB in May 2011.

IAS 27 "Separate Financial Statements"

Following publication of the new IFRS 10 (see below), the revised IAS 27 now only contains the requirements governing accounting for subsidiaries, joint ventures, and associated companies in separate financial statements prepared according to IFRSs.

IAS 28 "Investments in Associates"

The changes contained in IAS 28 arise from the publication of IFRS 10, IFRS 11, and IFRS 12 (see below). In addition, under the revised version of the standard, an investment in or portion of an associate or joint venture must be classified as held for sale if the criteria of IFRS 5 are met. Any remaining portion of the associate or joint venture must be accounted for using the equity method until the portion classified as held for sale has been disposed of.

IFRS 10 "Consolidated Financial Statements"

The new standard replaces the consolidation requirements of IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities." The new IFRS 10 affects the definition of the basis of consolidation. As currently required by IAS 27, consolidated financial statements must include those entities that are controlled by the parent. The definition of control in IFRS 10 differs from that used in IAS 27, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under IFRS 10, control exists when an investing entity is exposed, or has rights, to variable returns from involvement with the investee on the one hand, and has the ability to affect those returns through its power over the investee on the other. The new concept of control applies to all entities, including special purpose entities. It can lead to differing assessments, especially in cases of potential voting rights, agency relationships, and in situations where substantial, but not majority, voting rights are held. The impact assessment of the new requirements on basis of consolidation in HX's financial statements has still to be concluded. To date, no impact is expected, because HX Group will have constant control, directly or indirectly, of all voting rights in its consolidated entities.

IFRS 11 "Joint Arrangements"

The new standard supersedes IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers." In contrast to IAS 31, accounting for joint arrangements under IFRS 11 depends not on the legal form of the arrangement but on the nature of the rights and duties arising under the arrangement. IFRS 11 makes a distinction between joint operations and joint ventures. Joint operations are joint arrangements in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In line with this, they account for their shares of the respective assets, liabilities, income, and expenditure as they did previously. A joint venture exists when the parties with joint control have rights to the net assets of the arrangement. Joint ventures now have to be accounted for using the equity method. The previous option to account for joint ventures using proportionate consolidation has been removed. HX Group does not expect the implementation of these new requirements to materially affect its financial reporting.

IFRS 12 "Disclosure of Interests in Other Entities"

The new standard revises the disclosure requirements for all types of interests in other entities, including joint arrangements, associates, structured entities, and off-balance sheet vehicles. The objective is to help users of financial statements to understand the nature of, and risks associated with, the entity's interest in other entities, and the effects of these interests on its financial positions, financial performance, and cash flows.

The new IFRS 10, 11, and 12, and revised IAS 27 and IAS 28 standards are required to be applied for the first time retroactively in the first period of a fiscal year beginning on or after January 1, 2013. Earlier application is permitted. The new IFRS 10, 11, 12, and revised IAS 27 and IAS 28 standards must all be applied at the same time.

In the EU, the new IFRS 10, 11, and 12, and revised IAS 27 and IAS 28 standards are required to be applied for the first time for fiscal years beginning on or after January 1, 2014 – contrary to the date of initial application of the original standards.

In May 2012, the IASB published clarifications and revised transitional arrangements for the first-time application of the IFRS 10, 11, and 12 standards. The amendments are required to be applied for fiscal years beginning on or after January 1, 2014.

IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments: Disclosures" – offsetting financial assets and financial liabilities – published by the IASB in December 2011 The additions to IAS 32 specify in more detail the conditions under which financial assets and financial liabilities must be offset. In addition, they clarify which gross settlement systems may be considered equivalent to net settlement within the meaning of the standard. The relevant disclosure requirements in IFRS 7 were also modified in line with these clarifications.

The amendments to IAS 32 are required to be applied retroactively for fiscal years beginning on or after January 1, 2014; earlier application is permitted.

The amendments to IFRS 7 are required to be applied retroactively for fiscal years beginning on or after January 1, 2013.

IFRS 9 "Financial Instruments" – recognition and measurement of financial instruments – published by the IASB in November 2009

The accounting treatment of financial instruments set out in IFRS 9 will replace IAS 39.

In the future, there will only be two classification and measurement categories for financial assets: at amortized cost or at fair value. Financial assets at amortized cost comprise those financial assets that give rise solely to payments of principal and interest at specified dates and are also held within a business model for managing financial assets whose objective is to hold these financial assets and collect the associated contractual cash flows. All other financial assets are classified as at fair value. Under certain circumstances, a fair value option is available for financial assets falling under the first category, as at present.

Changes in financial assets belonging to the fair value category must generally be recognized in profit or loss. However, an election can be made to measure certain equity instruments at fair value through other comprehensive income; in this case, dividend income from these assets is recognized in profit or loss. The provisions governing financial liabilities have basically been taken over from IAS 39. The most important difference relates to the treatment of changes in value of financial liabilities measured at fair value. In future, the amount of the change relating to changes in own credit risk must be recognized in other comprehensive income, while the remaining amount of the change in fair value is recognized in profit or loss.

IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” – changes to the mandatory effective date and transition disclosures – published by the IASB in December 2011 The amendments no longer require restatement of prior-period figures upon initial application of IFRS 9. When an entity chooses to apply this exemption, additional disclosures are required according to IFRS 7 to allow for assessment of the effects of the first-time application of IFRS 9.

IFRS 9 has not yet been endorsed by the EU, nor has an effective date been set.

IFRS 13 “Fair Value Measurement” – published by the IASB in May 2011

The new standard sets out the methodology for determining fair value and increases fair value disclosures. It means that a framework for measuring fair value is now contained in a single IFRS. The requirements do not apply to share-based payment transactions within the scope of IFRS 2 “Share-based Payment,” leasing transactions within the scope of IAS 17 “Leases,” or other measurements required by other standards that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 “Inventories,” or value in use in IAS 36 “Impairment of Assets.”

IFRS 13 will be required to be applied for the first time prospectively in fiscal years beginning on or after January 1, 2013. Earlier application is permitted.

IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” – published by the IASB in October 2011

The interpretation governs the accounting for waste removal costs incurred during the production phase of surface mining activity. It clarifies the conditions under which an asset has to be recognized for stripping activities and how such an asset must be measured. IFRS 20 will be required to be applied for the first time in fiscal years beginning on or after January 1, 2013.

Unless otherwise stated, the new standards have been endorsed by the EU.

HX Group is currently examining the effects of the revised accounting standards on the combined financial statements and will determine the date of initial application. At this point in time, HX Group does not believe that application of the new or revised pronouncements will have a material effect on its combined financial statements.

2. Accounting policies

2.1 Description of accounting policies

Definition of the combined HX Group

HX Group’s combined financial statements include all significant companies in which HX Group directly or indirectly holds the majority of voting rights or is otherwise able to directly or indirectly control the financial and operating policy decisions. Companies are consolidated from the date on which HX Group obtains the ability to control them. They are deconsolidated from the date on which control is lost.

Acquired companies are accounted for using the purchase method. The consideration paid is measured on the basis of the fair value of the assets received, the liabilities assumed to the seller, and the equity instruments issued at the transaction date. The identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are recognized at their fair value at the transaction date, irrespective of any non-controlling interests. Any contingent consideration agreed is recognized at fair value at the acquisition date. Subsequent changes in fair value are recognized in profit or loss.

The excess of cost over the share of the fair value of the company’s net assets acquired is recognized as goodwill. If, after a further examination, cost is lower than the share of the fair value of the company’s acquired net assets measured at fair value, the difference is recognized as a gain in profit or loss.

Receivables and liabilities are eliminated, as are profits and losses from transactions between HX Group companies.

If individual HX Group companies have a different reporting date to the combined management holding companies, they are included on the basis of interim financial statements as of December 31, 2012.

The composition of HX Group changed as follows in fiscal years 2011 and 2012:

Number of companies	2012	2011
Combined group as of January 1	**75**	**79**
German companies	14	14
Foreign companies	61	65
Initial consolidation	2	5
Merger	(3)	(7)
Liquidation	(1)	(1)
Deconsolidation	(3)	(1)
Combined group as of December 31	**70**	**75**
German companies	14	14
Foreign companies	56	61

A total of 23 companies (prior-year reporting date: 24) were not consolidated since their effect on the net assets, financial position, and results of operations reported in the combined financial statements is not material even when viewed in the aggregate. Their consolidated revenue amounts to 1.0 percent (previous year: 0.4 percent) of the aggregate revenue, while their earnings account for 0.6 percent (previous year: 0.3 percent) of recognized earnings before tax, and their equity for 0.7 percent of combined equity (previous year: 1.2 percent). The companies are measured at cost and recognized as non-current other financial assets, as their fair value cannot be determined with sufficient certainty.

A complete list of all companies and joint ventures included in the combined financial statements can be found in section 11.

Interests in joint ventures

Investments in material companies over which significant influence can be exercised are accounted for using the equity method at the group's share of adjusted equity. They are initially recognized at cost. Their share of the profit or loss is recognized and presented separately in the combined income statement. The share of income and expenses recognized outside profit or loss is reported directly in other comprehensive income. If HX Group's share of a loss exceeds the carrying amount of the net investment in the company, no further losses are recognized. Any goodwill arising on acquisition is included in the carrying amount of the investment.

The group exercised the option to account for interests in joint ventures using the equity method.

As of the reporting date, 5 investments in joint ventures were accounted for in the combined financial statements (previous year: 5).

Currency translation

The HX Group companies prepare their annual financial statements on the basis of their respective functional currencies.

Foreign currency transactions entered into by companies included in the combined financial statements are translated into the functional currency at the exchange rate prevailing at the transaction date. Monetary assets and liabilities are translated at the applicable exchange rate at each reporting date. The exchange rate gains and losses resulting from these items are generally reported in the income statement under other income or expenses.

All financial statements of companies whose functional currencies differ from the functional currency are translated into the functional currency used in HX Group's combined financial statements. The assets and liabilities of the companies included in the combined financial statements are translated at the middle rates prevailing at the reporting date. The income statements of these companies are translated at the average rates for the period under review. If these average rates are not a reasonable approximation of the actual transaction rates, the income statements are translated at the relevant transaction rates. Any translation differences are reported in equity under other comprehensive income and adjusted.

Goodwill from the acquisition of foreign companies is translated at the closing rate as an asset attributable to these companies.

Property, plant and equipment

Items of property, plant and equipment are recognized at cost less cumulative depreciation and impairment losses, plus reversals of impairment losses.

Expenses for major regular maintenance are amortized over the remaining useful life of the asset concerned or over the period to the next maintenance date.

The carrying amount of items of property, plant and equipment is reviewed if it is likely to have been impaired by events or changes in circumstances. An impairment test is performed by comparing the asset's carrying amount with its recoverable amount. The recoverable amount is defined as the higher of internal value in use and fair value less costs to sell (net realizable value). Fair value is primarily determined on the basis of the current local market price for used machinery or commercial real estate. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. To assess impairment, assets are grouped at the lowest level for which separate cash flows can be identified. If the reason for the impairment subsequently ceases to apply, the impairment loss is reversed up to a maximum of the amortized historical cost.

Leases

Leases are agreements granting the right to use an asset for a defined period in return for a payment. Leases are accounted for as finance leases if substantially all the risks and rewards incidental to using the leased asset and therefore beneficial ownership are attributable to the lessee. As a result, the HX Group companies that, as lessees, bear substantially all the risks and rewards associated with the leased asset recognize the asset at the lower of fair value or the present value of minimum lease payments, and depreciate the asset in subsequent periods over the shorter of the lease term or the asset's estimated useful life. A corresponding liability is recognized, which is amortized in the following periods using the effective interest method. Payments to the lessor are divided into an interest and a principal repayment element, with the interest element being recognized in profit or loss over the lease term as a continuous interest payment on the residual lease liability. All other leases under which HX Group is a lessee are treated as operating leases. In these cases, the lease payments are recognized as an expense using the straight-line method.

Lease transactions under which HX Group companies are the lessor and substantially all the risks and rewards associated with the leased asset are transferred to the lessee are accounted for as sales and financing business. A receivable is reported in the amount of the net investment under the lease. The interest income subsequently generated is recognized in profit or loss. All other lease transactions under which HX Group is the lessor are treated as operating leases. In this case, the asset leased for use remains on the balance sheet and is depreciated. The lease payments are recognized as income using the straight-line method over the term of the lease.

Goodwill

Goodwill arising from business combinations in which an HX company acts as the purchaser is recognized as an intangible asset.

Goodwill is tested for impairment at the level of HX Group's business units, which have been identified as cash-generating units. For the purposes of impairment testing, the goodwill arising from the recognition of business combinations is allocated to the business units that are expected to benefit from the synergies generated by the business combination. If more than one business unit profits from an acquisition, the allocation is carried out using an appropriate allocation key.

The following business units have been identified as cash-generating units of HX Group:

- **Air Cooled Condensers/Heller (ACC-H)** engineers, manufactures and sells dry cooling and hybrid cooling solutions mainly for customers in the Power Generation and the Oil & Gas industry. Air cooled condenser, Heller and other indirect dry cooling applications provide technical solutions for cooling or condensing steam in thermal power plants and in various industrial fields.
- **Air Fin Cooler Compact Systems (AFC-CS)** uses heat exchangers of a compact design for two primary applications: Machine cooling of diesel, gas engines, generators and electrical engines as well as air cooled heat exchangers for commercial and industrial refrigeration applications in various industries.
- **Air Fin Cooler Single Tube (AFC-ST)** includes two business models: Air-Fin-Cooler projects for Oil & Gas customers as well as Air Dryers, Pre-Heaters and other components for various industrial clients like the Pulp and Paper, Chemical, Foil and Plastics and Power industry.
- **Air Treatment (AT)** is providing a wide range of HVAC solutions primarily focused on commercial or industrial applications like Data centers, office Buildings, Hospitals, Hotels, Shopping malls or Production facilities. The Business Unit portfolio covers Air Handling Units, Fan Coil Units, Close Control Units, Chiller and Air Filter Systems.
- **Plate Heat Exchangers (PHE)** products include a range of Gasketed, Brazed and Welded Plate Heat Exchangers (PHE), applicable to a broad range of applications across several industries like the HVAC, Power, Food, Refrigeration, Oil and Gas, Marine and Chemical.
- **Shell and Tube (S&T)** offers niche applications in Shell & Tube Heat Exchangers. The Business Unit is mainly active in the customized component or equipment business. Shell und Tube focuses on the Power and Oil & Gas industry.
- **Wet Cooling (WET)** engineers, manufactures and sells Wet Cooling applications for various industrial customers – from large natural draft Circular Cooling Towers to mid-size and small modular Cooling Towers. Furthermore the Business Unit offers Fill products for Cooling Towers as well as for the Water and Waste Water treatment businesses.

Goodwill is tested for impairment at the level of the HX Group business units, which have been identified as a cash-generating units, once a year at the end of the fiscal year and if there are any indications of impairment. The recoverable amount for the business unit is compared with the carrying amount including goodwill. The recoverable amount corresponds to the higher of internal value in use and fair value less costs to sell.

An impairment loss initially reduces the carrying amount of goodwill. Any amount exceeding goodwill is allocated proportionately to the carrying amounts of non-current non-financial assets.

The value in use of the individual business units is calculated annually at the end of the fiscal year using the discounted cash flow method. It is only necessary to estimate a selling price if the value in use is less than the carrying amount.

Other intangible assets

Other intangible assets include both internally generated and purchased assets. Internally generated intangible assets comprise capitalized development costs. In addition to contract-based rights, purchased intangible assets mainly contain technologies, brand names, and customer relationships. Technologies, brand names, and customer relationships are usually acquired in connection with takeovers. Internally generated and purchased intangible assets are recognized at cost.

If the useful life of an intangible asset can be determined, the asset is amortized on a straight-line basis over its useful life. Intangible assets whose useful life cannot be determined are recognized at cost.

The carrying amount of an intangible asset is reviewed if it is likely to have been impaired by events or changes in circumstances. Intangible assets with an indefinite useful life are tested for impairment at least once a year. This requires the recoverable amount of the assets to be determined. The recoverable amount corresponds to the higher of internal value in use and fair value less costs to sell. If the carrying amount is higher than the recoverable amount, the asset is written down to the recoverable amount. Previously recognized impairment losses are reversed if the reasons for the impairment no longer apply. Impairment losses are reversed up to a maximum of the amortized historical cost.

Indefinite-lived intangible assets are also examined each year to determine whether the classification of the asset as indefinite-lived can be retained. Any change to a finite useful life is applied prospectively.

Other financial assets

Other financial assets include investments in unconsolidated companies and other equity investments, other securities, financial receivables (except trade receivables), and derivative financial instruments.

Shares in unconsolidated companies and other equity investments are allocated to the "available-for-sale financial assets" measurement category. They are measured at cost because the shares in these corporations are not traded in an active market and their estimated fair value is subject to fluctuations without the probabilities of the individual fair values being able to be reliably determined within the margin of fluctuation. A reliable fair value can only be determined during sale negotiations. The group does not intend to sell these financial assets.

Securitized debt instruments that are intended to be held to maturity are allocated to the "held-to-maturity investments" measurement category and measured accordingly at amortized cost using the effective interest method. All other securities are measured at fair value and any fluctuations in value are recognized directly in other comprehensive income. These instruments are only allocated to the "available-for-sale financial assets" measurement category if no other category applies.

Financial receivables are allocated to the "loans and receivables" measurement category and measured at amortized cost using the effective interest method.

Derivative financial instruments are used exclusively for hedging purposes, in particular to hedge currency risk, which arises mainly from sales and procurement transactions. They are always carried at fair value. If derivative financial instruments are not included in a documented hedging relationship, they are allocated to the "financial assets at fair value through profit or loss" measurement category, and their fair value changes are recognized in the income statement. If the derivative financial instruments included in a recognized hedging relationship are used to hedge future cash flows, the fair value fluctuations are recognized in other comprehensive income.

Embedded financial derivatives are separated from their host contracts if certain qualifying criteria relating to their recognition and measurement are met.

Financial assets are recognized as soon as HX Group receives a cash payment or has the right to receive cash flows. In the case of regular way sales of non-derivative financial assets, the settlement date, *i.e.*, the delivery date of the financial assets, is decisive. Assets are derecognized as soon as the right to receive cash payments or other financial assets expires as a result of payment, waiver, statutory limitation, offsetting, or any other factor, or the right is transferred to another person, with the risks passing in full to the purchaser. In the case of regular way sales of non-derivative financial assets, the settlement date is taken to be the date of de-recognition, in line with the principle used for recognition.

Items are originally recognized at fair value or, in the case of financial assets not measured at fair value through profit or loss, including directly attributable transaction costs.

Financial assets or groups of financial assets are tested for indications of impairment at each reporting date. Impairment losses are recognized in the income statement. Financial assets are impaired if, following one or more events that occurred after initial recognition of the asset, there is objective evidence that the expected future cash flows have declined. Objective evidence of impairment may be, for example, significant financial difficulties of the debtor or payment default. In the case of financial assets measured at amortized cost (*e.g.*, unquoted equity instruments), the impairment loss corresponds to the difference between the carrying amount of the financial instrument and the present value of the future cash flows discounted at the original effective interest rate.

If the reasons for impairment no longer apply, impairment losses on financial assets – with the exception of equity instruments – are reversed to income up to the amount of the amortized cost that would have applied if no impairment loss had been charged.

Recognized hedging relationships (hedge accounting)

At the time they are entered into, derivative financial instruments that are included in a recognized hedging relationship are designated as a hedge of future cash flows in connection with assets and liabilities and highly probable forecast transactions (cash flow hedge).

If derivatives are used to hedge future cash flows, the effective portion of the change in the derivative's fair value is recognized in other comprehensive income. The ineffective portion of the change in fair value is reported as a gain or loss. The item recognized in other comprehensive income arising from the effective portion of the change in fair value is recognized in the income statement as soon as the hedged item is settled. If settlement of the hedged item leads to the recognition of a non-financial asset, the changes in value previously recognized in other comprehensive income are offset against the cost of the non-financial asset. If, contrary to previous assumptions, the hedged transaction is not executed, the changes in value previously recognized in equity are reversed directly to profit or loss.

HX Group predominantly uses cash flow hedges to hedge foreign currency exposures. HX Group also enters into hedging transactions in accordance with GEA Group's risk management principles that offer economic hedges of existing risks, but do not meet the strict hedge accounting requirements of IAS 39. Currency forwards that are used to hedge currency risk arising from monetary assets and liabilities are not aggregated into a recognized hedging relationship. Effects arising from the translation of balance sheet items that are recognized in the income statement are largely offset by changes in the fair values of currency forwards that are also recognized in the income statement.

Deferred taxes

Deferred tax assets and liabilities are recognized for all temporary differences between the carrying amounts in the respective national tax accounts and those in the IFRS financial statements that are included in the combined financial statements. Deferred tax assets are also recognized for tax loss carry-forwards. Deferred tax assets arising from deductible temporary differences and tax loss carry-forwards are recognized only to the extent that there is likely to be sufficient taxable income available in future.

No deferred taxes are recognized on temporary differences arising from investments in companies, associates, or joint ventures as long as the reversal of temporary differences is unlikely in the foreseeable future and the reporting entity is able to control the timing of the reversal of the temporary difference.

Inventories

Inventories are recognized at the lower of cost and net realizable value. Acquisition cost is calculated at average cost or using the first-in, first-out (FIFO) method. Production cost includes direct costs plus materials and production overheads, depreciation, and production-related administrative costs. Net realizable value is calculated as the estimated sale proceeds less costs incurred until completion, and selling expenses. Previously recognized impairment losses must be reversed if the reasons for the impairment no longer apply. Impairment losses are reversed up to a maximum of the amortized historical cost.

Trade receivables

Trade receivables include no interest component and are recognized in the balance sheet at their principal amount less appropriate allowances for bad debts.

Trade receivables that are sold to financial services companies under factoring agreements are derecognized once substantially the majority risks and rewards have been transferred to the financial services company.

Construction contracts

Receivables and revenues from construction contracts are recognized using the percentage of completion (PoC) method.

The percentage of completion is determined using the cost-to-cost method, which is derived from the ratio of contract costs incurred to the total estimated contract costs. Contracts are measured at production cost plus a profit in proportion to the stage of completion. Losses on construction contracts are immediately recognized in full in the fiscal year in which they are identified, regardless of the stage of completion. If the contract costs incurred and the gains or losses recognized exceed the progress billings, the excess amount is capitalized and reported under "trade receivables." If the progress payments received exceed the capitalized costs and recognized gains or losses at the reporting date, they are reported as a liability under "other liabilities." Advance payments on construction contracts are reported separately as a liability.

If the contract margin cannot be estimated reliably, revenue is recognized only in the amount of the contract costs incurred (zero-profit method). A profit is only recognized once the contract margin can be estimated reliably.

Payments for differences in the overall contract, claims, and premiums are included in the contract revenue insofar as these will probably result in revenue that is capable of being estimated reliably.

Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits, and financial assets that can be converted into cash at any time and that are subject to only slight fluctuations in value. They are recognized at fair value.

Non-current assets held for sale and liabilities associated with assets held for sale

Non-current assets or groups of assets classified as "held for sale" within the meaning of IFRS 5 are recognized at the lower of carrying amount and fair value less costs to sell. They are classified as held for sale if their sale is highly probable, the assets or groups of assets held for sale are available for immediate sale, and their sale will have been completed within one year of their classification as held for sale. As the carrying amount of depreciable assets is realized by disposal rather than use, these assets are no longer depreciated once they have been reclassified. Corresponding liabilities are reported under "liabilities associated with assets held for sale."

Equity

Due to the preparation of the combined financial statements, HX Group's equity is reported differently to the method provided for in IAS 1. The items "net assets attributable to GEA Group AG," "accumulated other comprehensive income," and "non-controlling interests" are presented in the standard format for reporting equity in combined financial statements. The net assets attributed to GEA Group AG include the share capital, capital reserves, and retained earnings of GEA Heat Exchangers GmbH and other companies (see list of companies included in the combined financial statements in section 11). For all other companies within HX Group, the carrying amount of the investments in companies that are held by HX Group and the share in the net equity of each company have been consolidated. The net assets attributable to HX Group also include the undistributed profits of companies that belong to HX Group (less interim dividends paid out of the net income for the fiscal year), as well as actuarial gains and losses from defined benefit pension plans.

Changes in equity outside profit or loss are reported in the "accumulated other comprehensive income" item if they do not relate to capital transactions with shareholders. Other comprehensive income comprises the gains or losses on financial assets measured at fair value, the effective portion of the change in fair value of derivatives designated as cash flow hedges, and exchange rate gains or losses from the translation of the financial statements of foreign companies.

Obligations under pension plans

Obligations under pension plans relate to post-employment benefit obligations. Defined benefit contribution obligations are calculated using the projected unit credit method. The present value of these obligations reflects expected future salary and pension trends, since the entitlements earnable in the period up to the retirement age depend on these. The pension obligations are measured on the basis of actuarial reports by independent actuaries.

In order to provide these pension benefits, the Company in some cases holds qualifying insurance policies. Insofar as the entitlements are funded by such plan assets, their fair value is offset against the present value of the defined benefit obligation. The net liability is reported under non-current employee benefit obligations (net carrying amount).

Remeasurements of the net carrying amount based on the difference between the actual return on plan assets and the discount rate, and actuarial gains and losses, are recognized in other comprehensive income in the year in which they arise and reported in retained earnings after adjustment for tax effects. Expenses arising from discounting the carrying amount are reported under interest expense, while income is included in interest income. The current and past service cost for the period and gains and losses from payments are recognized in the relevant functional costs.

Other employee benefit obligations

Other employee benefit obligations comprise other long-term benefits and all short-term benefits. The short-term obligations from short-term employee benefits are expected to be paid in full no more than 12 months after completion of the service rendered. They include wages, salaries, social insurance contributions, paid vacation, and profit-sharing schemes. They are recognized as an expense at the same time as the work is remunerated. Any expenditure in excess of the payments already made is reported as a deferred liability at the reporting date. Other long-term benefits, such as jubilee payments or partial retirement arrangements, are recognized at the actuarially determined present value of the obligation at the reporting date. Securities are pledged to the beneficiaries to protect vested partial retirement credits against the employer's insolvency. The fair value of these securities is offset against the corresponding liability.

Provisions

Provisions for uncertain liabilities are recognized where there is a legal or constructive obligation to a third party, a future outflow of resources is likely, and the expected settlement value can be estimated reliably. The present value of the settlement amount is recognized if the time value of money is material. Amounts are discounted at the market rates for the appropriate maturity and currency. The interest unwinding costs are presented under interest expense.

The cost of creating warranty provisions is included in the cost of sales when revenue is recognized. In all other cases, provisions are recognized when the product is accepted. The provision is measured on the basis of both the warranty cost actually incurred in the past and on the evaluated overall risk inherent in the system or product. Provisions are also recognized if a claim is made under a warranty and a loss is likely. Recourse claims against suppliers are capitalized if their services are subject to a warranty and it is highly likely that the claim can be enforced.

Provisions for expected losses from onerous contracts are recognized if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs also include the unavoidable overheads needed to meet the obligations.

Financial liabilities

Financial liabilities comprise liabilities to GEA Group AG, liabilities to banks, and liabilities under finance leases, in particular. They are initially recognized at fair value less transaction costs. They are subsequently measured at amortized cost using the effective interest method. Liabilities under finance leases are initially measured at the lower of the fair value of the leased asset and the present value of minimum lease payments.

Other liabilities

The recognition and subsequent measurement of other liabilities is the same as for financial liabilities, with the exception of advance payments and the gross amount due to customers for contract work. Advance payments are stated at their principal amount. Please see the information provided on the recognition of construction contracts for the measurement of the gross amount due to customers for contract work.

Trade payables

Trade payables also include liabilities for goods received or services rendered that have not yet been invoiced, as there is only slight uncertainty as to the amount of the liability. Trade payables are recognized at fair value. This corresponds to the settlement amount in the case of liabilities due within one year.

Revenue recognition

Revenue from the sale of goods is recognized when the risks and rewards inherent in ownership of the goods sold are transferred to the customer. This normally occurs when the goods are handed over to the customer. Revenue from services is recognized when the service is rendered. Revenue is measured at the fair value of the consideration received or to be received. Customer bonuses, discounts, or rebates reduce the amount of revenue recognized.

Revenue from construction contracts is generally recognized using the percentage of completion method under which revenue is recognized in accordance with the stage of completion. The stage of completion is determined using the ratio of contract costs incurred as of the reporting date to the total estimated contract costs as of the reporting date (cost-to-cost method). Contract costs include direct costs plus materials and construction overheads, depreciation, production-related administrative costs, and such other costs that are specifically chargeable to the customer under the terms of the contract. Where a construction contract is settled over a long period and where the contract is largely financed by HX Group, contract costs also include directly attributable borrowing costs. Conversely, income from the investment of advance payments received is offset against contract costs where this has a material influence on the contract margin. Adjustments are made for amendments to contracts, claims, and premiums insofar as these will probably result in revenue that is capable of being reliably estimated.

In line with the percentage of completion method, construction contracts are measured as the contract costs incurred as of the reporting date plus the profit attributable to the proportion of work completed. Revenue recognized is reported under trade payables, less progress billings. If the outcome of a construction contract cannot be reliably estimated, the probable recoverable revenue is recognized up to the amount of the costs incurred. Contract costs are recognized as an expense in the period in which they are incurred. If it is foreseeable that the total contract costs will exceed the contract revenue, the expected loss is recognized as an expense immediately.

Interest income is recognized ratably over the remaining maturity based on the effective interest rate and the amount of the remaining receivable. Dividend income on equity instruments is recognized if the right to receive payment is based on legally assertable claims.

Revenue from royalties is recognized in the period in which it arises in accordance with the underlying contracts.

Share-based payment

HX Group participates in a GEA Group AG share-based payment program under which selected managers are granted performance shares that are linked to the performance of GEA Group shares. The fair value of these rights is calculated at the grant date and allocated as an expense over the vesting period using the straight-line method; a corresponding provision is recognized. The provision is remeasured at each reporting date and at the payment date. Changes in the fair value of the provision are recognized in profit or loss (see section 6.3.3).

In addition, one HX Group company grants its employees options on shares of the company via a trustee. The cost of this share-based payment is estimated at the grant date and amortized using the straight-line method up to the exercise date (see section 6.1).

Research and development

Research expenditures are recognized immediately as an expense. Development costs that are designed to significantly enhance a product or process are capitalized if completion of the product or process is technically and economically feasible, the development is marketable, the expenditures can be measured reliably, and adequate resources are available to complete the development project. All other development expenditures are recognized immediately as expenses. Capitalized development expenditures for completed projects are reported at cost less cumulative amortization and impairment losses. Capitalized development costs for intangible assets not yet available for use are tested for impairment once a year.

Development costs that are required under construction contracts are capitalized as part of the cost of the asset.

Government grants

Government grants are recognized at fair value provided that HX Group meets the conditions necessary to receive the grant. Government grants to cover expenses are recognized over the period in which the costs for which the grants were awarded are incurred. Government grants for capital expenditure are deducted from the cost of purchasing the corresponding asset.

2.2 Estimates and management judgment

Preparation of financial statements requires management to make certain estimates and exercise judgment that may affect the Company's assets, liabilities, provisions, and deferred tax assets and liabilities, as well as its income and expenses and contingent liabilities.

Factors that may cause amounts to fall below estimates might include a deterioration in the global economy, movements in exchange rates and interest rates, as well as material litigation and changes in environmental or other legislation. Production errors, the loss of key customers, and rising borrowing costs may also adversely affect HX Group's future performance.

The recognition and measurement of the following assets and liabilities are in some cases based on management judgment. All assumptions represent the best of management's knowledge and belief in order to convey a true and fair view of the Company's net assets, financial position, and results of operations. If actual circumstances subsequently differ from those forecast, this will affect the recognition and measurement of assets and liabilities. Depending on the item concerned, earnings may also be affected.

Estimates made in the preparation of HX Group's combined financial statements in accordance with IFRSs are the same as those made in the preparation of GEA Group's IFRS consolidated financial statements. Adjustments are not made for circumstances giving rise to new information related to past events which occur after the relevant reporting date. If there are errors in the estimates, these are corrected to ensure an appropriate presentation of the net assets, financial position, and results of operations as of the relevant date.

Basis of consolidation

Management judgment was applied in defining the basis of consolidation and the composition of HX Group (see section 2.1).

Acquisitions

Goodwill is reported in the balance sheet as a result of acquisitions. When an acquired company is initially consolidated, all its identifiable assets, liabilities, and contingent liabilities are recognized at their acquisition-date fair value. The main problem is estimating these fair values. As a rule, land and buildings are measured on the basis of independent appraisals. If intangible assets are identified, their fair values are calculated using an appropriate measurement method. These measurements are made on the basis of assumptions by management with respect to the future value of the relevant assets and the discount rate. Obligations for contingent consideration are recognized on the basis of the current planning (see section 4.2).

Goodwill

Goodwill from companies acquired by HX Group is tested for impairment annually. Goodwill is tested for impairment at the level of the HX Group business units, which have been identified as cash-generating units. Value in use is calculated using assumptions by management (see section 5.2).

Taxes

HX Group operates in a large number of countries and is therefore subject to different tax jurisdictions. Calculating tax liabilities requires management to make various estimates. Management believes that it has made a reasonable estimate of tax uncertainties. However, no assurance can be given that the actual outcome of these uncertainties will correspond to the estimates made. Any deviations may have an impact on the level of tax liabilities or deferred taxes in the year of the decision.

When assessing the recoverability of deferred tax assets, management judges the extent to which realization of the deferred tax assets is sufficiently likely. The question of whether the deferred tax assets can actually be realized depends on whether sufficient future taxable income can be generated against which the temporary differences or tax loss carry-forwards can be offset. Management therefore analyzes the times at which the deferred tax liabilities reverse, and expected future taxable income. Management forecasts whether deferred tax assets can be realized on the basis of expected future taxable income. Deferred tax assets decline if the estimate of planned taxable income decreases, if tax benefits available as a result of tax strategies are reduced, or the amount or timing of future tax benefits is restricted by changes in the law (see section 7.7).

Provisions and contingent liabilities

Changes in estimates of the probability of a present obligation or of an outflow of resources embodying economic benefits could mean that items previously classified as contingent liabilities must be reported as provisions, or that the amount of provisions must be adjusted (see section 6.2).

Obligations under pension plans

The present value of pension obligations depends on actuarial assumptions. These assumptions cover the discount rate, expected wage and salary increases, the rate of pension increases, and mortality rates. These assumptions could differ significantly from actual future outcomes as a result of changes in market and economic conditions, and could therefore have a material effect on the level of the obligation and the related expenses.

The discount rate applicable to the carrying amount is calculated at the end of each year. This is the rate used to calculate the present value of future cash outflows expected to be required to settle the obligation. In order to calculate the discount rate, HX Group uses the interest rate on high-quality corporate bonds denominated in the same currency in which the benefits are paid and whose terms to maturity correspond to those of the pension obligations.

Other significant assumptions relating to pension obligations are partly based on market conditions (see section 6.3.1).

Construction contracts

The recognition of construction contracts using the percentage of completion method is based on management's estimates of the cost of such contracts. Changes in estimates or differences between the estimated cost and the actual cost have a direct effect on recognized earnings from construction contracts. The operating units continuously review the estimates and adjust them if required.

Litigation

In some cases, HX Group companies are parties to litigation. The outcome of this litigation could have a material effect on HX Group's net assets, financial position, and results of operations. Management regularly analyzes current information on these legal disputes and recognizes provisions for probable obligations, including estimated legal costs. Both internal counsel and external lawyers are used to make this assessment. When deciding on the need to recognize provisions, management takes into account the probability of an unfavorable outcome and its ability to estimate the amount of the obligation with sufficient reliability. The filing of a suit or the formal assertion of a claim against a HX Group company does not necessarily mean that a provision must be recognized for the related risk (see section 8.4).

3. Financial risk management

GEA Group AG's Executive Board has put in place an effective set of guidelines to manage and hence largely limit or hedge financial risks throughout the group. The objectives with regard to protecting assets, eliminating gaps in security, and improving efficiency in identifying and analyzing risks are clearly defined, as are the relevant organizational structures, powers, and responsibilities. The guidelines are based on the principles of system security, the separation of functions, transparency, and immediate documentation. The guidelines are also applicable to HX Group companies.

Because it operates worldwide, HX Group is exposed to currency, interest rate, commodity price, credit, and liquidity risk in the course of its ordinary activities. HX Group's financial risk management, which is integrated into the group-wide financial risk management, aims to reduce this risk through the appropriate use of derivative and non-derivative hedging instruments.

Currency risk

Because HX Group operates internationally, its cash flows are denominated not only in euros, but also in a number of other currencies, particularly U.S. dollars and Chinese renminbi. Hedging the resulting currency risk is a key element of risk management.

The group guideline of GEA Group also requires all HX Group companies to hedge foreign currency items as they arise in order to fix prices on the basis of hedging rates. Currency risks are hedged for hedged items recognized in the balance sheet, unrecognized firm commitments, and highly probable forecast transactions. The hedging periods are determined by the maturity of the hedged items and are usually up to 12 months, but in exceptional cases may exceed that period significantly. Despite the hedging requirement, changes in exchange rates may affect sales opportunities outside the eurozone.

HX Group companies based in the eurozone are obliged to tender to GEA Group AG's central finance unit all outstanding exposures relating to transactions in goods and services in major transaction currencies. Most of these exposures are passed on directly to banks at matching maturities, depending on the hedging objective of the derivatives and the related accounting treatment. At the same time, corresponding derivative transactions are entered into between GEA Group AG and the company concerned. They may also be hedged as part of a portfolio. The hedging of financial transactions and transactions conducted by HX Group companies outside the eurozone is also closely coordinated with the GEA Group AG's central finance unit.

Interest rate risk

HX Group mainly raises and invests liquidity through internal group cash pools and internal loans from or to GEA Group AG. Interest rate risk is managed by GEA Group AG.

Commodity price risk

As part of its operating activities, HX Group requires various raw materials, whose purchase prices can be subject to substantial fluctuations depending on the market situation. Long-term supply agreements have been entered into with various suppliers in order to reduce commodity price risk.

Credit risk

Financial instruments are exposed to credit risk in that the other party to the contract may fail to fulfill its obligations. The counterparty limit system used by GEA Group for financial management, in which the HX Group companies are included, aims to continuously assess and manage the counterparty default risk. A maximum risk limit has been defined for each counterparty, which in most cases is derived from the ratings from recognized credit rating agencies and credit default swaps (CDSs). Appropriate action is taken if the individual limit is exceeded.

The financial standing of potential customers is ascertained by GEA Group AG's financial management before orders are accepted using an internal risk board procedure. Active receivables management, including non-recourse factoring and credit insurance, is also performed. In the case of export transactions, confirmed and unconfirmed letters of credit can be used alongside sureties, guarantees, and cover notes, including from export credit agencies such as Euler Hermes. In addition to local monitoring by the HX Group company in question, GEA Group AG also oversees the main credit risks at GEA Group management level so that any accumulation of risk can be more efficiently managed.

Since trade receivables are usually due from a large number of customers in different sectors and regions, there is no concentration of risk. Valuation allowances take account of specific credit risks.

Derivative financial instruments are entered into – either directly by HX Group companies or indirectly through GEA Group AG – only with reputable financial institutions so as to reduce the credit risk involved.

The maximum exposure for the financial assets is limited to their carrying amount.

Liquidity risk

HX Group is exposed to liquidity risk in that it may be unable to meet payment obligations because it has insufficient cash funds at its disposal. GEA Group AG is responsible for managing this risk. Cash funds are arranged and credit lines managed on the basis of a multi-year financial plan and a rolling month-by-month cash forecast. The funds are then made available by GEA Group AG based on the forecast for the HX Group companies. Cash flow from operating activities is the most important source of liquidity. In order to optimize borrowing and the use of cash funds within GEA Group, it has established cash pools in various countries, in which the HX Group companies participate. To achieve this, the cash pools automatically balance the accounts of the participating companies every day by crediting or debiting a target account. This prevents separate cash investments and borrowings by these companies to a large extent. Any additional liquidity requirements are generally borrowed by the GEA Group AG, which also invests surplus liquidity.

The following tables show the undiscounted contractually agreed interest and principal payments for financial liabilities, including derivative financial instruments with negative fair values:

	Cash flows						
	Carrying amount	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
	(EUR thousand)						
12/31/2012							
Trade payables	231,750	218,098	13,652	—	—	—	—
of which GEA Group AG and affiliated companies	3,203	3,203	—	—	—	—	—
of which other equity investments	678	678	—	—	—	—	—
Liabilities to GEA Group AG and affiliated companies	555,824	338,932	17,779	12,747	169,942	21,894	34,006
Liabilities to other equity investments	170	170	—	—	—	—	—
Liabilities to banks	6,486	6,343	167	158	143	6	—
Liabilities under finance leases	5,876	504	920	939	1,161	1,190	3,748
Currency derivatives not included in a recognized hedging relationship	472	16,630	5,794	476	—	—	—
Currency derivatives included in a cash flow hedge	678	31,415	1,605	—	—	—	—
Other financial liabilities	43,419	38,947	4,472	—	—	—	—
12/31/2011							
Trade payables	285,258	273,345	11,913	—	—	—	—
of which GEA Group AG and affiliated companies	4,925	4,925	—	—	—	—	—
of which other equity investments	1,362	1,362	—	—	—	—	—
Liabilities to GEA Group AG and affiliated com	514,632	352,581	22,335	10,037	9,431	107,255	48,653
Liabilities to other equity investments	321	321	—	—	—	—	—
Liabilities to banks	12,776	12,368	164	163	158	147	—
Liabilities under finance leases	6,039	458	273	275	248	167	8,352
Currency derivatives not included in a recognized hedging relationship	2,030	27,529	716	—	—	—	—
Currency derivatives included in a cash flow hedge	2,036	36,382	3,443	394	—	—	—
Other financial liabilities	39,210	34,237	4,973	—	—	—	—

All financial liabilities outstanding as of December 31 of the relevant year are included in the above tables to the extent that payments have already been contractually agreed. Projected figures for future new liabilities are not taken into account. Foreign currency amounts are translated at the closing rates. In the case of financial liabilities that can be repaid at any time, it is assumed that they will be repaid within one year.

The liabilities to GEA Group AG and affiliated companies in the amount of EUR 555,824 thousand (previous year: EUR 514,632 thousand) consist of cash pool liabilities and internal loans granted to HX Group. These are offset by receivables from GEA Group AG and affiliated companies in the amount of EUR 340,369 thousand (previous year: EUR 265,392 thousand), comprising cash pool receivables and internal loans granted by HX Group (see section 6.8).

Payments for derivative financial instruments totaling EUR 55,920 thousand (previous year: EUR 68,464 thousand) were partially offset by payments of EUR 54,970 thousand (previous year: EUR 64,812 thousand) received from the same instruments.

In addition, HX Group has its own guarantee lines primarily for the performance of contracts, advance payments, and warranty obligations of EUR 109,934 thousand (previous year: EUR 181,300 thousand; year before last: EUR 187,700 thousand), EUR 49,614 thousand of which has been utilized (previous year: EUR 81,796 thousand; year before last: EUR 83,734 thousand). In agreement with GEA Group AG's central finance unit, the HX Group companies can also draw on corresponding GEA Group AG guarantee lines, EUR 239,454 thousand of which was utilized (previous year: EUR 269,790 thousand; year before last: EUR 321,888 thousand). As is generally customary for this type of order collateral and financing instrument, guarantees have only been drawn down by HX Group in extremely rare exceptional cases in recent years.

Future payments from operating leases are reported separately under other financial liabilities (see section 8.2).

Foreign currency sensitivity analysis

HX Group companies are always exposed to foreign currency risk if their cash flows are denominated in a currency other than their own functional currency. Foreign currency risk is hedged using suitable instruments, thus largely offsetting fluctuations arising from the hedged item and the hedging transaction over their term.

The foreign currency risk presented in the sensitivity analysis results from the following transactions:

- Currency derivatives that are included in hedging relationships for previously unrecognized hedged items, *i.e.*, for contractually agreed or expected transactions. As these hedging relationships are regularly documented as such and presented as cash flow hedges, only equity is affected by exchange rate risk.
- Unsecured foreign currency transactions.

  The translation of foreign currency receivables or liabilities at the closing rate has a direct effect on earnings.

The currency pairs in which the major part of the foreign currency cash flows are settled are included as relevant risk variables in the foreign currency sensitivity analysis. The following table shows the sensitivity of a 10 percent increase or decrease in the relevant foreign currency in relation to the relevant base currency from HX Group's perspective:

Base currency	Foreign currency	Nominal amount	Profit/loss for the year 2012		Equity 2012	
			(EUR thousand)			
			+10%	-10%	+10%	-10%
EUR	USD	52,832	23	(28)	626	(765)
USD	CNY	20,845	—	—	(1,446)	1,767
EUR	CNY	14,766	—	—	(301)	458
EUR	RUB	12,345	1,111	(1,357)	—	—
EUR	BRL	11,486	173	(212)	714	(873)
EUR	INR	9,866	847	(1,035)	—	—

Base currency	Foreign currency	Nominal amount	Profit/loss for the year 2011		Equity 2011	
			(EUR thousand)			
			+10%	-10%	+10%	-10%
EUR	USD	77,677	4	(5)	550	(672)
EUR	CNY	20,555	—	—	(77)	94
USD	CNY	12,817	—	—	(797)	974
EUR	BRL	10,922	144	(176)	696	(851)
EUR	HUF	8,201	—	—	(727)	888
EUR	RUB	3,975	361	(442)	—	—
USD	INR	3,893	354	(433)	—	—

The nominal amount relates to all contractually agreed foreign currency cash flows as of the reporting date, which are translated into euros at the closing rate.

The potential fluctuations in the profit or loss for the year result primarily from unhedged currency risk.

Interest rate sensitivity analysis

The interest rate sensitivity analysis presents the effects of changes in market interest rates on interest payments, and interest income and expenses. The sensitivity analyses are based on the following assumptions and instruments:

- Non-derivative fixed-income financial instruments are only subject to balance-sheet interest rate risk if they are measured at fair value. HX Group measures such financial instruments at amortized cost.
- Non-derivative variable-rate financial instruments whose interest payments are not included as hedged items in a hedging relationship that is recognized as a cash flow hedge are subject to interest rate risk both in the income statement and in cash flow (cash flow interest rate risk and interest rate risk recognized in profit or loss).
- Currency derivatives are not subject to material interest rate risk and therefore have no effect on interest rate sensitivity.

The sensitivity analysis assumes a linear shift in the yield curve for all currencies of +100/–10 basis points as of December 31, 2012 and of +100/–50 basis points as of December 31, 2011. In relative terms, the downward shift in the yield curve assumed for the sensitivity analysis is less pronounced than the upward shift. Given the low level of interest rates, at close to the 0 percent mark, this avoids a shift to a negative interest rate. The simulated scenarios resulted in the following effects:

	12/31/2012		12/31/2011	
	+ 100 basis points	– 10 basis points	+ 100 basis points	– 50 basis points
	(EUR thousand)			
Interest rate risk recognized in profit or loss	(562)	56	(683)	342

The calculation is based on a net volume of EUR 56,194 thousand (previous year: EUR 68,311 thousand).

Capital management

HX Group's capital management is performed at GEA Group level and is part of the capital management for GEA Group as a whole. Any considerations regarding statutory capital and liquidity requirements are based on GEA Group's requirements.

The key financial objective is to sustainably increase GEA Group's enterprise value in the interests of investors, employees, customers, and suppliers, while safeguarding and securing the group's solvency at all times.

4. Acquisitions

4.1 Companies acquired

HX Group acquired Mashimpeks Ltd. by purchasing shares in fiscal year 2011:

Business	Place	Acquisition Date	Percentage of voting interest (%)	Consideration transferred (EUR thousand)
Mashimpeks Ltd.	Moscow/Russia	February 21, 2011	100.0	10,963

Mashimpeks Ltd. is assigned to the ACC-H, AFC-ST, PHE, S&T, and WET business units. The company had already been selling and assembling HX Group heat exchangers for several years in Russia, where it has sales and service offices throughout the country. This sales and service network represents a basis from which HX Group can expand its heat exchanger business in Russia. In fiscal year 2010, the company generated revenue of EUR 14,778 thousand and had 130 employees.

The transaction costs recognized in profit or loss in previous years for this acquisition amounted to EUR 433 thousand. These costs were paid in full before January 1, 2011.

4.2 Consideration transferred

The consideration transferred is composed of the following items:

Company	Cash	Contingent consideration	Total
	(EUR thousand)		
Mashimpeks Ltd.	8,547	2,416	10,963

The contingent purchase price liability from the acquisition of the Mashimpeks Ltd. shares is largely attributable to an agreement to make additional payments of a maximum of EUR 2,500 thousand, depending on the company's results in the next three years. Based on the company's forecasts, it is assumed that the maximum amount will be paid. The amount of EUR 2,416 thousand recognized represents the fair value of the payment.

4.3 Assets acquired and liabilities assumed

The following assets were acquired and liabilities assumed in connection with the acquisition of Mashimpeks Ltd.:

Fair value	Mashimpeks Ltd.
	(EUR thousand)
Property, plant, and equipment	53
Intangible assets	1,480
Deferred taxes	395
Non-current assets	**1,928**
Inventories	7,248
Trade receivables	531
Other financial assets	398
Cash and cash equivalents	4,978
Current assets	**13,155**
Total assets	**15,083**
Deferred taxes	321
Non-current liabilities	**321**
Current Provisions	344
Current Employee Benefit Obligations	694
Trade payables	751
Other financial liabilities	9,359
Current liabilities	**11,148**
Total liabilities	**11,469**
Net assets acquired	**3,614**
of which attributable to HX Group	3,614
of which attributable to non-controlling interests	—
Acquisition cost	10,963
Goodwill of HX-Group	7,349

At the time of the acquisition it was assumed that there were no unrecoverable trade receivables. Consequently, the gross amount of these receivables of EUR 531 thousand corresponds to their fair value.

The goodwill totaling EUR 7,349 thousand arising from the acquisition was allocated to the business units expected to benefit from the synergies generated by the business combination using an allocation key. It reflects the consolidation of HX Group's competitive position, benefits from expected synergies and future market growth, as well as workforce expertise.

4.4 Effects on revenue and profit after tax

Since its acquisition date, Mashimpeks Ltd. contributed as follows to HX group's revenue and profit after tax:

	Revenue	Profit after tax
	(EUR thousand)	
Mashimpeks Ltd.	29,441	2,872

If the company had been acquired as of January 1, 2011, HX Group's revenue would have amounted to EUR 1,618,030 thousand and its profit after tax to EUR 67,261 thousand.

4.5 Net cash outflow

The acquisition of Mashimpeks Ltd. led to the following net cash outflow in 2011:

	2011
	(EUR thousand)
Consideration transferred	10,963
less contingent consideration	(2,416)
less subsequent consideration	(2,000)
Purchase price paid	**6,547**
less cash acquired	(4,978)
Net cash used in acquisition	**1,569**

Payments to acquire companies and other businesses reported in the cash flow statement in 2011 include payments to acquire Mashimpeks Ltd. in the amount of EUR 1,569 thousand. In fiscal year 2012, EUR 500 thousand of the contingent purchase price payment and EUR 1,000 thousand of the subsequent purchase price payment was paid.

5. Combined balance sheet disclosures: Assets

5.1 Property, plant and equipment

Property, plant and equipment changed as follows:

	Land and buildings (owner-occupied)	Technical equipment and machinery	Other equipment, operating and office equipment	Assets under construction	Total
			(EUR thousand)		
Jan. 1, 2011					
Cost	199,792	258,288	74,836	15,446	548,362
Cumulative depreciation and impairment losses	(66,292)	(148,172)	(53,619)	(974)	(269,057)
Carrying amount	**133,500**	**110,116**	**21,217**	**14,472**	**279,305**
Changes in 2011					
Additions	7,070	6,680	4,103	13,228	31,081
Disposals	(1,112)	(1,584)	(594)	199	(3,091)
Depreciation	(6,901)	(16,300)	(7,172)	(36)	(30,409)
Impairment losses	(2,176)	(640)	(353)	—	(3,169)
Reversal of impairment losses	—	—	—	—	—
Reclassification held for sale	—	—	—	—	—
Changes in combined Group	16	228	(111)	—	133
Currency translation	(244)	1,254	(400)	(688)	(78)
Other changes	2,658	9,268	862	(13,677)	(889)
Carrying amount at Dec. 31, 2011	**132,811**	**109,022**	**17,552**	**13,498**	**272,883**
Jan. 1, 2012					
Cost	201,735	271,150	75,239	16,372	564,496
Cumulative depreciation and impairment losses	(68,924)	(162,128)	(57,687)	(2,874)	(291,613)
Carrying amount	**132,811**	**109,022**	**17,552**	**13,498**	**272,883**
Changes in 2012					
Additions	3,206	5,717	3,550	20,497	32,970
Disposals	(5,850)	(1,364)	(883)	(104)	(8,201)
Depreciation	(7,222)	(18,280)	(5,677)	(36)	(31,215)
Impairment losses	(16)	(6)	(87)	(15)	(124)
Reversal of impairment losses	2,176	664	353	—	3,193
Reclassification held for sale	(9,124)	—	—	—	(9,124)
Changes in combined Group	(2,528)	62	(15)	—	(2,481)
Currency translation	7	(595)	(116)	423	(281)
Other changes	12,614	7,903	2,021	(25,931)	(3,393)
Carrying amount at Dec. 31, 2012	**126,074**	**103,123**	**16,698**	**8,332**	**254,227**
Dec. 31, 2012					
Cost	194,836	268,762	75,797	11,418	550,813
Cumulative depreciation and impairment losses	(68,762)	(165,639)	(59,099)	(3,086)	(296,586)
Carrying amount	**126,074**	**103,123**	**16,698**	**8,332**	**254,227**

EUR 8,609 thousand of owner-occupied land and buildings reclassified as held for sale relates to a property in Turkey that is no longer required for operating purposes.

The changes in the combined group are mainly attributable to the initial consolidation and deconsolidation of insignificant companies and acquisitions. The other changes are primarily attributable to reclassifications from assets under construction to other items of property, plant and equipment, and to intangible assets.

As in the previous year, items of property, plant and equipment are depreciated on a straight-line basis using the relevant residual values and the following useful lives:

	Useful life in years
Buildings and parts of buildings	2 to 50
Technical equipment and machinery, other equipment	2 to 30
Operating and office equipment	3 to 40

Depreciation of property, plant and equipment is largely reported in cost of sales.

The underlying residual values and useful lives are reviewed at each reporting date and adjusted if necessary.

Property, plant and equipment includes land and buildings, technical equipment and machinery, and office and operating equipment leased under finance leases:

	12/31/2012	12/31/2011	01/01/2011
		(EUR thousand)	
Cost - capitalized leased assets under finance leases	16,664	16,099	15,793
Cumulative depreciation and impairment losses	(8,042)	(7,197)	(6,128)
Carrying amount	**8,622**	**8,902**	**9,665**

EUR 4,424 thousand (previous year: EUR 4,783 thousand; year before last: EUR 5,113 thousand) of the carrying amount of the leased items of property, plant and equipment relates to buildings. The leases for the buildings extend beyond 2020. The leases do not include extension options, escalation clauses, or the option to acquire the leased asset.

The corresponding lease liabilities are explained under financial liabilities (see section 6.4).

The carrying amount of property, plant and equipment that serves as collateral for credit lines amounted to EUR 1,688 thousand at the reporting date (previous year: EUR 1,667 thousand; year before last: EUR 2,749 thousand). Most of these assets relate to land and buildings.

5.2 Goodwill

The following table shows the allocation of goodwill to the HX Group business units and changes in goodwill:

	ACC-H	AFC-CS	AFC-ST	AT	PHE	S&T	WET	Total
				(EUR thousand)				
Carrying amount at Jan. 1, 2011	**—**	**30,865**	**—**	**16,593**	**33,779**	**11,090**	**19,626**	**111,953**
Additions	173	—	1,261	—	5,607	289	1,284	8,614
Currency translation	(8)	302	(58)	(178)	(40)	(13)	70	75
Carrying amount at Dec. 31, 2011	**165**	**31,167**	**1,203**	**16,415**	**39,346**	**11,366**	**20,980**	**120,642**
Additions	—	—	—	—	—	—	—	—
Currency translation	6	240	43	349	74	9	55	776
Carrying amount at Dec. 31, 2012	**171**	**31,407**	**1,246**	**16,764**	**39,420**	**11,375**	**21,035**	**121,418**

Of the additions amounting to EUR 8,614 thousand in fiscal year 2011, EUR 7,349 thousand results from the acquisition of Mashimpeks Ltd. (see section 4.3) and EUR 1,265 thousand from the initial consolidation of a company that had not previously been consolidated.

Impairment test

Goodwill recoverability was tested at the end of the fiscal year. The HX Group business units were identified as cash-generating units for this impairment test. The recoverable amount for the business units was compared with its carrying amount, which included any goodwill allocated to them.

The recoverable amount of a business unit is determined by calculating value in use using the discounted cash flow method. The cash flows used are the after-tax operating cash flows from the consolidated medium-term planning (three-year period) planned on a bottom-up basis and prepared by GEA Group AG's Executive Board. The Supervisory Board of GEA Group AG approved this planning for the GEA Heat Exchangers segment for the next year and has taken note of it for the two following years. Cash flows equal to the amount in the final planning year are assumed for the period beyond the planning horizon, extrapolated using a uniform growth rate of 1.5 percent (previous year 1 percent), which is no higher than the long-term average growth rate for the markets in which the business units are active.

The planning on which the 2011 goodwill impairment test was based assumed significant growth in HX Group's sales markets. The planning drawn up in 2012 assumes slight growth in the sales markets and an increase in earnings over the three-year detailed planning period.

With regard to raw material prices, it is assumed that any increase can be offset by increased selling prices. Future business acquisitions were not included in the planning.

The total cost of capital assumed for discounting is based on a risk-free interest rate of 2.25 percent (previous year: 4.00 percent) and a market risk premium of 6.25 percent (previous year: 5.00 percent). Since all business units operate in the heat exchangers segment, the other valuation factors were derived from a single peer group. Thus, beta factors, a borrowing risk premium, the capital structure, and the tax rate were derived from this peer group. This resulted in an interest rate after tax of 8.6 percent (previous year: 9.4 percent) for discounting cash flows.

5.3 Other intangible assets

The carrying amount of other intangible assets changed as follows:

	Market-related intangible assets	Customer-related intangible assets	Contract-based intangible assets	Technology-based intangible assets	Internally generated intangible assets	Total
			(EUR thousand)			
Jan. 1, 2011						
Cost	22,761	9,473	19,875	36,604	3,333	92,046
Cumulative amortization and impairment losses	(4,999)	(3,391)	(13,693)	(17,499)	(1,705)	(41,287)
Carrying amount	**17,762**	**6,082**	**6,182**	**19,105**	**1,628**	**50,759**
Changes in 2011						
Additions	—	—	1,266	239	115	1,620
Disposals	—	—	(9)	(2)	—	(11)
Amortization	(29)	(1,603)	(2,107)	(3,315)	(474)	(7,528)
Impairment losses	(289)	(225)	(54)	(77)	(270)	(915)
Reversal of impairment losses	—	—	—	—	—	—
Changes in combined Group	858	1,001	3	138	—	2,000
Currency translation	281	44	12	152	27	516
Other changes	—	—	561	581	194	1,336
Carrying amount at Dec. 31, 2011	**18,583**	**5,299**	**5,854**	**16,821**	**1,220**	**47,777**
Jan. 1, 2012						
Cost	23,707	10,505	21,544	37,877	4,010	97,643
Cumulative amortization and impairment losses	(5,124)	(5,206)	(15,690)	(21,056)	(2,790)	(49,866)
Carrying amount	**18,583**	**5,299**	**5,854**	**16,821**	**1,220**	**47,777**
Changes in 2012						
Additions	—	—	1,445	394	1,862	3,701
Disposals	—	—	(21)	(3)	—	(24)
Amortization	(28)	(918)	(2,198)	(2,966)	(559)	(6,669)
Impairment losses	(2,319)	—	—	(1)	(199)	(2,519)
Reversal of impairment losses	—	—	54	2	270	326
Changes in combined Group	—	—	—	23	(3)	20
Currency translation	320	49	15	102	(15)	471
Other changes	—	—	(53)	851	2,578	3,376
Carrying amount at Dec. 31, 2012	**16,556**	**4,430**	**5,096**	**15,223**	**5,154**	**46,459**
Dec. 31, 2012						
Cost	24,135	10,599	22,815	38,953	8,675	105,177
Cumulative amortization and impairment losses	(7,579)	(6,169)	(17,719)	(23,730)	(3,521)	(58,718)
Carrying amount	**16,556**	**4,430**	**5,096**	**15,223**	**5,154**	**46,459**

As in the previous year, other intangible assets with finite useful lives are amortized on a straight-line basis using the following useful lives:

	Useful life in years
Market-related intangible assets	3 to 20
Customer-related intangible assets	1 to 10
Contract-based intangible assets	1 to 18
Technology-based intangible assets	1 to 25

Amortization of intangible assets amounting to EUR 6,669 thousand in fiscal year 2012 (previous year: EUR 7,528 thousand) is reported in cost of sales.

Market-related intangible assets amounting to EUR 16,556 thousand (previous year: EUR 18,583 thousand; year before last: EUR 17,762 thousand) are not amortized because their useful life cannot be determined. These assets are company and product names of the acquired companies. These are established brands in their respective sectors and will continue to be used indefinitely after the company in question has been acquired.

These brands are tested for impairment at least once a year. For this purpose, their internal value in use is determined using the relief from royalty method. Under this approach, the value of a brand is calculated on the basis of the future royalties that HX Group would have to pay if it had to license the brands from third parties. The brand-related revenue is multiplied by the estimated license fee installments. The brand-related revenue is derived from the consolidated medium-term planning prepared by the Executive Board of GEA Group AG. GEA Group AG's Supervisory Board approved this planning for the GEA Heat Exchangers segment for the next year and has note of it for the two following years. The assumed license fee installments generally correspond to those of the initial measurement. The payments saved calculated in this way are then discounted using a brand-specific pre-tax discount rate. Valuation is based on the following assumptions:

	12/31/2012	12/31/2011
	(%)	
Discount rate	11.07 – 20.71	9.08 –21.51
Royalty rate	0.50 – 1.50	0.50 – 1.50

The impairment test performed at the end of 2012 led to a write-down of EUR 2,319 thousand. This is attributable to the change in sales channels resulting from reorganizations and the associated loss of the brand name, as well as higher discount rates.

5.4 Equity-accounted investments

Equity-accounted investments are reported at a carrying amount of EUR 5,832 thousand as of December 31, 2012 (previous year: EUR 4,975 thousand; year before last: EUR 4,224 thousand).

The following overview presents the proportionate key figures for equity-accounted joint ventures:

	01/01/2012 - 12/31/2012	01/01/2011 - 12/31/2011
	(EUR thousand)	
Revenue	19,661	16,114
Profit after tax	667	1,515

	12/31/2012	12/31/2011	01/01/2011
		(EUR thousand)	
Assets			
Non-current assets	1,853	3,841	5,709
Current assets	13,889	10,962	10,996
Liabilities			
Non-current liabilities	123	1,110	731
Current liabilities	10,085	8,557	9,825

5.5 Other financial assets

Other financial assets are composed of the following items:

	12/31/2012	12/31/2011	01/01/2011
		(EUR thousand)	
Investments in unconsolidated companies and other equity investments	974	1,209	3,911
Other securities	—	—	—
Derivative financial instruments	30	95	232
Miscellaneous other financial assets	66,647	5,964	5,521
Other non-current financial assets	**67,651**	**7,268**	**9,664**
Other securities	21	23	25
Derivative financial instruments	1,041	3,548	1,830
Miscellaneous other financial assets	340,974	334,821	263,332
Other current financial assets	**342,036**	**338,392**	**265,187**
Total	**409,687**	**345,660**	**274,851**

Derivative financial instruments

Derivative financial instruments are explained in section 6.8.

Miscellaneous other financial assets

Miscellaneous other financial assets with a carrying amount of EUR 407,621 thousand (previous year: EUR 340,785 thousand; year before last: EUR 268,853 thousand) were recognized as of the reporting date. They are broken down into non-current and current assets as follows:

	12/31/2012	12/31/2011	01/01/2011
		(EUR thousand)	
Other receivables from GEA Group AG and affiliated companies	62,360	1,486	790
Other receivables from other equity investments	—	224	223
Receivables from tax authorities	3,959	3,761	3,628
Sundry miscellaneous other financial assets	328	493	880
Other non-current financial assets	**66,647**	**5,964**	**5,521**
Other receivables from GEA Group AG and affiliated companies	305,028	283,640	224,221
Other receivables from other equity investments	1,730	11,270	6,230
Other receivables from tax authorities	14,760	20,824	18,659
Sundry miscellaneous other financial assets	19,456	19,087	14,222
of which receivables from third parties	19,369	19,068	13,328
of which receivables from GEA Group AG and affiliated companies	7	19	91
of which receivables from other equity investments	80	—	803
Other current financial assets	**340,974**	**334,821**	**263,332**
Total	**407,621**	**340,785**	**268,853**

Other receivables from GEA Group AG and affiliated companies include cash pool receivables and internal loans granted by HX Group totaling EUR 340,369 thousand (see section 6.8).

Receivables from tax authorities primarily comprise VAT receivables.

Sundry miscellaneous other financial assets include prepaid expenses totaling EUR 3,559 thousand (previous year: EUR 3,178 thousand; year before last: EUR 5,605 thousand).

The maturity structure of sundry miscellaneous other financial assets is as follows:

		12/31/2012	12/31/2011	01/01/2011
			(EUR thousand)	
Carrying amount before impairment losses		**19,968**	**19,650**	**15,289**
Impairment losses		184	70	187
Carrying amount		**19,784**	**19,580**	**15,102**
of which not yet due at the reporting date		19,709	19,469	15,102
of which past due at reporting date		75	111	—
Past due periods (time bands):	between 31 and 60 days	7	—	—
	between 61 and 90 days	—	—	—
	between 91 and 180 days	9	—	—
	between 181 and 360 days	1	—	—
	more than 360 days	58	111	—

Past due other financial assets largely relate to third parties.

5.6 Inventories

Inventories are composed of the following items:

	12/31/2012	12/31/2011	01/01/2011
		(EUR thousand)	
Raw materials, consumables, and supplies	87,779	102,107	95,046
Work in progress	41,909	52,336	44,949
Assets for third parties under construction	37	38	755
Finished goods and merchandise	27,465	29,576	23,918
Advance payments	24,642	14,301	12,479
Total	**181,832**	**198,358**	**177,147**

Impairment losses on inventories were EUR 1,687 thousand in the reporting period (previous year: EUR 1,132 thousand). Impairment losses charged were primarily recognized in cost of sales. No reversals were required.

5.7 Trade receivables

Trade receivables are composed of the following items:

	12/31/2012	12/31/2011	01/01/2011
		(EUR thousand)	
Trade receivables	306,179	321,933	291,830
of which from third parties	292,148	302,911	276,422
of which from GEA Group AG and affiliated companies	8,261	6,916	7,095
of which from other equity investments	5,770	12,106	8,313
Gross amount due from customers for contract work	109,078	104,746	86,806
Total	**415,257**	**426,679**	**378,636**

Trade receivables include receivables of EUR 21,537 thousand (previous year: EUR 20,056 thousand; year before last: EUR 17,647 thousand) that will not be realized until more than one year after the reporting date. Bad debt allowances on trade receivables totaled EUR 12,483 thousand (previous year: EUR 11,549 thousand).

The average payment period and volume of receivables outstanding are in line with the general market.

The maturity structure of trade receivables from third parties is as follows:

		12/31/2012	12/31/2011	01/01/2011
			(EUR thousand)	
Carrying amount before impairment losses		**304,631**	**314,460**	**286,301**
Impairment losses		12,483	11,549	9,879
Carrying amount		**292,148**	**302,911**	**276,422**
of which not yet due at the reporting date		231,402	242,358	221,325
of which past due at reporting date		60,746	60,553	55,097
Past due periods (time bands):	less than 30 days	25,131	26,990	26,608
	between 31 and 60 days	10,916	11,281	8,978
	between 61 and 90 days	5,986	5,035	3,952
	between 91 and 180 days	11,082	7,201	5,213
	between 181 and 360 days	4,199	6,711	5,451
	more than 360 days	3,432	3,335	4,895

Construction contracts

The gross amount due from and to customers for contract work is composed of the following items:

	12/31/2012	12/31/2011	01/01/2011
		(EUR thousand)	
Capitalized production cost of construction contracts	983,900	998,014	790,006
plus net gain from construction contracts	132,427	130,694	126,463
less anticipated losses	5,216	2,909	31
less progress billings	1,084,041	1,128,677	951,647
Total	**27,070**	**(2,878)**	**(35,209)**
Gross amount due from customers for contract work (included in trade receivables)	109,078	104,746	86,806
Gross amount due to customers for contract work (included in other liabilities)	(82,008)	(107,624)	(122,015)
Total	**27,070**	**(2,878)**	**(35,209)**

Advance payments received on construction contracts amounted to EUR 2,017 thousand at December 31, 2012 (previous year: EUR 0 thousand; year before last: EUR 0 thousand). Customer retention money amounted to EUR 26,298 thousand (previous year: EUR 24,280 thousand; year before last: EUR 16,681 thousand). Revenue of EUR 536,418 thousand (previous year: EUR 577,067 thousand) was generated from construction contracts in the reporting period.

5.8 Income tax receivables

Income tax receivables amounted to EUR 8,096 thousand at the reporting date (previous year: EUR 4,076 thousand; year before last: EUR 6,652 thousand). EUR 8,077 thousand (previous year: EUR 4,012 thousand; year before last: EUR 6,289 thousand) of this amount is due within one year. A further EUR 19 thousand (previous year: EUR 64 thousand; year before last: EUR 363 thousand) is due after more than one year.

5.9 Cash and cash equivalents

Cash and cash equivalents were composed of the following items at the reporting date:

	12/31/2012	12/31/2011	01/01/2011
		(EUR thousand)	
Unrestricted cash	142,609	160,416	146,899
Restricted Cash	5,612	3,736	8,381
Total	**148,221**	**164,152**	**155,280**

Cash and cash equivalents comprise cash funds and overnight deposits. Restricted cash consists of term deposits and bank deposits.

During the year, the standard market interest rate for short-term bank deposits in the eurozone lay between 0.0 and 0.5 percent (previous year: between 0.2 and 1.1 percent). The average interest rate at the end of the year was 0.3 percent (previous year: 0.4 percent).

5.10 Assets held for sale

Assets held for sale are reported at a carrying amount of EUR 9,124 thousand as of December 31, 2012 (previous year: EUR 0 thousand; year before last: EUR 460 thousand). As of December 31, 2012, they primarily related to land and buildings in Turkey that are not required for operating purposes and as of January 1, 2011, to land and buildings in Germany that are not required for operating purposes. As these assets have no further use, they will be disposed of.

6. Combined balance sheet disclosures: Equity and liabilities

6.1 Equity

As explained in section 1, HX Group is legally owned by GEA Group AG. Due to the preparation of the combined financial statements, HX Group's equity is reported differently to the method provided for in IAS 1. The items "net assets attributable to GEA Group AG," "accumulated other comprehensive income," and "non-controlling interests" are presented in the standard format for reporting equity in combined financial statements. The changes in the equity components are reported in the statement of changes in equity.

Net assets attributable to GEA Group AG

Net assets attributable to GEA Group AG include the share capital, capital reserves, and retained earnings of GEA Heat Exchangers GmbH and other companies (see the list of companies included in the combined financial statements in section 11). For the companies within HX Group, the carrying amount of the investments in the companies and the share in the net equity of each company included has been consolidated. The net assets attributable to GEA Group AG also include the undistributed profits of all HX Group companies and actuarial gains and losses.

Material transactions with other GEA Group AG companies and subsidiaries that are directly or indirectly controlled by GEA Group AG are reported as transactions with affiliated companies.

Changes in net assets attributable to GEA Group AG in fiscal year 2011 were primarily due to the profit for the period and, in particular, to capital transactions with GEA Group AG and affiliated companies. EUR 103,800 thousand of the reduction in equity as a result of capital transactions with GEA Group AG and affiliated companies is attributable to the acquisition of a group of companies that does not belong economically to HX Group, but that was legally acquired by companies belonging to HX Group. This transaction led to a corresponding liability being recognized at HX Group. In addition, reductions in equity resulting from profit transfers and dividend distributions to GEA Group AG and affiliated companies in the amount of EUR 65,244 thousand were recognized in this item.

The changes in net assets attributable to GEA Group AG in fiscal year 2012 were also primarily due to the profit for the period and capital transactions with GEA Group AG and affiliated companies. The capital transactions with GEA Group AG and affiliated companies item comprises reductions in equity resulting from profit transfers and dividend distributions to GEA Group AG and affiliated companies in the amount of EUR 75,597 thousand. Transactions in connection with legal restructuring measures within GEA Group in which the companies concerned are not attributable economically to HX Group had an offsetting effect, increasing equity by EUR 23,924 thousand.

In addition, the capital transactions with GEA Group AG and affiliated companies item includes additions of EUR 7,198 thousand (previous year: EUR 580 thousand) relating to GEA Group's assumption of tax liabilities for HX Group (see section 1).

An increase of EUR 64 thousand (previous year: EUR 51 thousand) is related to the offsetting of expenses resulting from the launch of an employee share-based payment plan in South Africa. Under the major "Medupi" order received at the end of 2007, HX Group undertook to meet certain assessment criteria defined by the Broad Based Black Economic Empowerment Act of 2003. To do this, HX Group launched a share-based payment plan for staff at its South African company, among other things. The shares granted to these employees are held indirectly via a trustee, which in turn issues options on these shares to the employees. The options vest after a five-year holding period. Twenty percent of the options will be exercised each year after the holding period expires. The exercise price corresponds to the fair value of the shares at the grant date. The options lapse if employees leave the company before the five-year period expires.

11,710 options were outstanding at December 31, 2011. 1,395 options expired in fiscal year 2012. The number of options outstanding at December 31, 2012, was therefore 10,315.

The weighted average fair value of the options issued amounted to EUR 36.69 at the grant date of May 6, 2009. The fair value of the options was determined using a Monte Carlo simulation. Expenses of EUR 64 thousand (previous year: EUR 51 thousand) were recognized to reflect expected staff turnover in fiscal year 2012.

Accumulated other comprehensive income

Changes in equity outside profit or loss are reported in accumulated other comprehensive income if they do not relate to capital transactions with shareholders. These comprise the gains or losses on financial assets measured at fair value and recognized directly in equity, the effective portion of the change in fair value of derivatives designated as cash flow hedges, and exchange rate gains or losses from the translation of the financial statements of foreign companies.

Non-controlling interests

Non-controlling interests in HX Group companies amounted to EUR 1,805 thousand (previous year: EUR 258 thousand; year before last: EUR 1,824 thousand).

The change in other comprehensive income attributable to non-controlling interests amounted to EUR 62 thousand (previous year: EUR 202 thousand), primarily as a result of exchange differences on foreign currency translation.

6.2 Provisions

The following table shows the composition of and changes in provisions in 2012:

	Guarantees, warranties	Litigation risks	Follow-up costs	Other provisions	Total
			(EUR thousand)		
Balance at Jan. 1, 2011	**58,497**	**1,952**	**41,674**	**20,709**	**122,832**
of which non-current	9,829	90	4,823	1,813	16,555
of which current	48,668	1,862	36,851	18,896	106,277
Additions	20,350	485	20,775	13,236	54,846
Utilization	(9,513)	(707)	(16,776)	(8,928)	(35,924)
Reversal	(19,624)	(299)	(8,632)	(4,376)	(32,931)
Changes in combined Group	209	—	(4)	138	343
Exchange differences	1,075	(7)	499	124	1,691
Balance at Dec. 31, 2011	**50,994**	**1,424**	**37,536**	**20,903**	**110,857**
of which non-current	7,372	6	—	1,632	9,010
of which current	43,622	1,418	37,536	19,271	101,847
Balance at Jan. 1, 2012	**50,994**	**1,424**	**37,536**	**20,903**	**110,857**
of which non-current	7,372	6	—	1,632	9,010
of which current	43,622	1,418	37,536	19,271	101,847
Additions	23,971	1,416	15,666	11,132	52,185
Utilization	(5,196)	(193)	(16,258)	(16,001)	(37,648)
Reversal	(15,742)	(741)	(6,627)	(2,309)	(25,419)
Changes in combined Group	(73)	—	—	(18)	(91)
Exchange differences	(36)	(5)	(175)	(113)	(329)
Balance at Dec. 31, 2012	**53,918**	**1,901**	**30,142**	**13,594**	**99,555**
of which non-current	8,305	—	—	1,382	9,687
of which current	45,613	1,901	30,142	12,212	89,868

Provisions for guarantees and warranties

Provisions for guarantees and warranties relate to warranty commitments for products and equipment. As is customary in the industry, the guarantees and warranties on which they are based are granted in connection with certain performance criteria relating to products or equipment. Warranties usually have a contractual term of between one and two years from the date on which the products or equipment are accepted. In addition to warranties explicitly agreed under contract, product liability rules apply in many sales countries and may also stipulate that the manufacturer is liable beyond the contractually defined term of the warranty. In some cases, recourse claims exist in the form of insurance refunds or subcontractor guarantees. The level of provisions is based on management's best estimate.

Litigation risks

Provisions are recognized for risks arising from expected or pending litigation against HX Group companies if it is believed that there is likely to be an unfavorable outcome to the proceedings. Assessments by counsel for the Company or legal experts were used to determine the likelihood of such litigation. The probable damages or sanctions have been recognized as a liability.

Follow-up costs

This item comprises the cost of residual work that is incurred after a contract has already been invoiced and the profit from the contract has been recognized. The amount of the expected cost is stated.

Other provisions

Other provisions include restructuring provisions of EUR 1,611 thousand (previous year: EUR 6,244 thousand; year before last: EUR 4,722 thousand), and provisions for expected losses of EUR 1,640 thousand (previous year: EUR 5,171 thousand; year before last: EUR 7,340 thousand).

6.3 Employee benefit obligations

Employee benefit obligations are composed of the following items:

	12/31/2012	12/31/2011	01/01/2011
		(EUR thousand)	
Obligations under pension plans	22,905	14,913	13,305
of which defined benefit pension plans	22,900	14,909	13,301
of which defined contribution pension plans	5	4	4
Other employee benefit obligations	1,739	1,747	1,626
Partial retirement	1,322	1,483	2,033
Jubilee benefits	1,923	1,738	1,556
Other non-current obligations to employees	1,018	2,002	4,541
Non-current employee benefit obligations	**28,907**	**21,883**	**23,061**
Redundancy plan and severance payments	898	7,223	18,034
Outstanding vacation, flextime/overtime credits	12,724	12,794	12,953
Bonuses	16,526	18,397	17,033
Other current obligations to employees	6,226	6,278	5,668
Current employee benefit obligations	**36,374**	**44,692**	**53,688**
Total employee benefit obligations	**65,281**	**66,575**	**76,749**

6.3.1 Defined benefit pension plans

HX Group employees are offered various benefit options, mainly in the form of defined benefit and defined contribution pension plans.

The defined benefit pension plan obligations mainly exist in Germany.

In Germany, HX Group grants old-age, disability, and survivors’ benefits to many of its employees. New employees are generally only granted benefits that are partly funded by employee contributions.

As part of the general benefits provided, all employees have the opportunity to voluntarily defer part of their compensation. Under this arrangement, an agreed amount of their salary plus an employer contribution of up to 100 percent of the deferred amount is converted into a pension benefit. A corresponding collective bargaining agreement was entered into in 2002 and revised in 2008.

Managers receive benefits comprising an income-related employer-funded basic amount, an employer-funded top-up, and a matching amount funded through deferred compensation with an employer contribution of up to 100 percent of the deferred amount. The additional contributions from the top-up and matching amounts are determined annually and converted into a pension benefit by the employer. These commitments are granted in the form of identical individual commitments.

For both commitments, the post-retirement benefits are adjusted by 1 percent each year.

In addition to the currently open benefit schemes, there are a number of historical pension schemes in the company. These schemes are generally closed to new employees, but are maintained unchanged for employees who were members at the time the scheme was closed.

The pension liabilities are partly covered by reinsurance policies.

All liabilities were actuarially valued on January 1, 2011, December 31, 2011, and December 31, 2012.

HX Group views granting pension benefits as an opportunity to foster employee loyalty and engagement. It is therefore a firm part of the remuneration concept and has an appropriate employee contribution component. In connection with this, HX Group observes developments on the human resources market and regularly checks that the benefits it grants are appropriate and in line with the market.

HX Group does not believe that the pension liabilities pose any risks over and above the customary extent and the general risks described above.

Pension provisions and funded status

The changes in the present value of the defined benefit obligation, the plan assets, and the pension provisions were as follows:

	12/31/2012	12/31/2011
	(EUR thousand)	
Present value of defined benefit obligation at beginning of fiscal year	**16,278**	**14,848**
Current service cost	1,173	1,382
Interest Cost from discounting unwinding on defined benefit obligations	812	743
Remeasurement of present value of defined benefit obligation	6,585	126
Actuarial gains (losses) from changes in demographic assumptions	—	3
Actuarial gains (losses) resulting from changes in financial assumptions	6,349	199
Actuarial gains (losses) resulting from experience adjustments	236	(76)
Payments without settlements	(813)	(781)
Transfer of assets	290	(40)
Changes in combined group due to acquisitions	—	
Other changes in combined group	—	
Present value of defined benefit obligation at end of fiscal year	**24,325**	**16,278**
Fair value of plan assets at beginning of the fiscal year	**1,369**	**1,547**
Interest income on plan assets	70	63
Employer contributions	—	—
Employee contributions	—	—
Remeasurement: return from plan assets in excess interest income	(3)	(101)
Gains and losses on settlements	—	—
Payments without settlements	(11)	(140)
Payments in respect of any settlements	—	—
Transfer of assets	—	—
Changes in combined group due to acquisitions	—	—
Other changes in combined group	—	—
Exchange differences	—	—
Fair value of plan assets at the end of fiscal year	**1,425**	**1,369**
Funded status/ Net carrying amount	**22,900**	**14,909**

The net carrying amount of defined benefit pension plans changed as follows in fiscal years 2012 and 2011:

	12/31/2012	12/31/2011
	(EUR thousand)	
Net carrying amount at beginning of fiscal year	**14,909**	**13,301**
Changes through profit or loss	1,915	2,062
Current service cost	1,173	1,382
Past service cost	—	—
Gains and losses on settlements	—	—
Concurrent past service cost and gains and losses on settlements	—	—
Net interest on net defined benefit liability	742	680
Changes through OCI	6,588	227
Return from plan assets in excess interest income	3	101
Actuarial gains (losses) from changes in demographic assumptions	—	3
Actuarial gains (losses) resulting from changes in financial assumptions	6,349	199
Actuarial gains (losses) resulting from experience adjustments	236	(76)
Exchange differences	—	—
Changes through cash	**(802)**	**(641)**
Employer contributions	—	—
Employee contributions	—	—
Payments without settlements	(802)	(641)
Payments in respect of any settlements	—	—
Other changes	**290**	**(40)**
Transfer of assets	290	(40)
Changes in combined group due to acquisitions	—	
Other changes in combined group	—	
Exchange differences	—	—
Net carrying amount	**22,900**	**14,909**

The following overview shows the net carrying amount broken down into plans with and without plan assets:

	12/31/2012	12/31/2011	01/01/2011
		(EUR thousand)	
Present value of funded obligations	3,414	2,755	2,785
Fair value of plan assets	1,425	1,369	1,548
Net carrying amount of funded obligations	**1,989**	**1,386**	**1,237**
Present value of unfunded obligations	20,911	13,523	12,064
Net carrying amount of unfunded obligations	**20,911**	**13,523**	**12,064**
Net carrying amount	**22,900**	**14,909**	**13,301**

As in the previous year, no asset ceiling in accordance with IAS 19.64 (b) applies. In addition, there are no reimbursement claims within the meaning of IAS 19.116.

The following overview shows the present value of the defined benefit obligation broken down into active employees, former employees with vested benefits, and benefit recipients:

	12/31/2012	12/31/2011	01/01/2011
		(EUR thousand)	
Active Employees	15,448	10,114	9,264
Vested terminated employees	3,661	2,018	1,522
Pensioners	5,216	4,146	4,062
Total obligation	24,325	16,278	14,848

Plan assets

On the relevant reporting dates, the plan assets to cover the pension obligations consisted solely of insurance policies for which there is no quoted market price in an active market.

HX Group has decided to utilize the internal financing effect of the pension provisions and only fund a relatively small proportion of the pension obligations using plan assets.

In fiscal year 2013, no additions are expected to be made to the plan assets of pension plans.

Actuarial assumptions

As of the relevant reporting date, the following actuarial assumptions were used to calculate the present value of the defined benefit obligation relating to pension plans. These assumptions are used to calculate the net pension expenses in the following year.

	12/31/2012	12/31/2011	01/01/2011
		(Percent)	
Discount factor	3.30	5.10	5.19
Inflation	2.00	2.00	2.00
derived: wage and salary increase rate	2.87	2.91	2.71
derived: pension increase rate	2.00	2.00	2.00

The actuarial measurement factors for German pension plans are established by HX Group in consultation with actuarial experts. The corresponding assumptions for pension plans outside Germany are determined taking into account country-specific conditions with the help of local actuarial experts in consultation with the global actuarial experts and GEA Group. The discount rate is established using a recognized method based on the return on high quality corporate bonds determined as of the reporting date, taking into account the currency and maturities of the underlying liabilities.

All other assumptions correspond to the long-term expectations of HX Group. The nominal rate of wage and salary increases is calculated based on expected inflation and a real rate of increase. The rate of pension increases in Germany is also determined based on inflation, provided that the pension adjustments are determined in accordance with the rise in the cost of living. If a firm pension adjustment commitment has been made, this is taken into account accordingly.

As in the previous year, Klaus Heubeck's 2005G mortality tables were used as a basis for measuring all German pension plans as of December 31, 2012. On this basis, the life expectancy of a 65-year-old pensioner as of the reporting date is 18.75 years for men and 22.83 years for women (December 31, 2011: 18.61 years/22.70 years, January 1, 2011: 18.47 years/22.56 years). Country-specific measurement bases were used for pension liabilities outside Germany.

The discount rate and inflation were identified as significant actuarial assumptions having an influence on HX Group's pension obligation. For those significant actuarial assumptions the following sensitivities were derived: A decrease of the discount rate of 50 basis points leads to an increase of the defined benefit obligation of 10%. As future salary increases as well as future increases of the benefit levels are both derived from inflation, the sensitivity for those parameters can be measured jointly using the inflation sensitivity. A reduction of the assumed inflation by 25 basis points leads to a decrease of the defined benefit obligation of 1%.

The sensitivity resulting from a decrease in age by one year has an impact of around 4% on the defined benefit obligation.

Future payments

The following payments are expected to be made under the German and foreign pension plans in the coming years:

	2013	2014	2015	2016	2017	>2017
			(EUR thousand)			
Payments under pension plans	579	922	870	791	954	5,848

The average weighted duration of the pension obligations is:

(Years)	12/31/2012	12/31/2011	01/01/2010
Duration	14.5	11.5	11.0

6.3.2 Defined contribution pension plans

Various companies operate defined contribution pension plans. Under these plans, the obligation does not lie with HX Group, but with the respective pension funds. Contributions totaling EUR 1,102 thousand were paid in fiscal year 2012 (previous year: EUR 959 thousand). Contributions of EUR 13,013 thousand were paid to state pension insurance schemes (previous year: EUR 11,877 thousand). These contributions are recognized as personnel expenses at the same time as the relevant service is rendered.

6.3.3 Share-based payment

Share-based payments in fiscal year 2012 totaled EUR 440 thousand (previous year: EUR 917 thousand). EUR 64 thousand of this amount (previous year: EUR 51 thousand) was attributable to equity-settled share-based payment transactions (see section 6.1). The carrying amount of liabilities arising from share-based payment transactions amounted to EUR 779 thousand as of December 31, 2012 (previous year: EUR 1,481 thousand; year before last: EUR 616 thousand).

Performance Share Plan

Effective July 1, 2006, GEA Group Aktiengesellschaft launched a long-term remuneration program entitled "GEA Performance Share Plan," a cash-settled share-based payment plan for all first- and second-level GEA Group managers below the GEA Group Executive Board. Third-level managers were also eligible to participate starting with the third tranche of the program as of July 1, 2008. The seventh tranche was issued on July 1, 2012. Accordingly, HX Group managers are also entitled to participate. The goal of the GEA Performance Share Plan is to link managers' remuneration with the long-term success of the Company and to align their interests with those of the shareholders.

Under the plan, participants are granted a defined number of Performance Shares at the beginning of the performance period. The number of Performance Shares allotted is determined by the participants' management level. To participate in the plan, managers must invest 20 percent of the amount of the allotted Performance Shares in shares of GEA Group Aktiengesellschaft. The personal investment must then be held for three years (performance period).

The performance of GEA Group Aktiengesellschaft's shares relative to all other MDAX companies over the three-year performance period is measured on the basis of their total shareholder return (TSR). TSR is a suitable indicator for investors to compare the performance and appeal of different companies. It measures the total percentage return that an investor earns from a share over a certain period. In addition to share price performance, dividends and adjustments such as share splits are included in the calculation of TSR. This method of comparison eliminates share price performance that is due to general market volatility and enables the effects of different profit retention strategies to be compared. The relative performance of GEA Group Aktiengesellschaft's shares determines the number of Performance Shares finally paid out (between 0 percent and 300 percent).

The Performance Shares are paid out once the three-year performance period has expired. At that time, performance of GEA Group Aktiengesellschaft's shares relative to the MDAX determines how many Performance Shares are paid out: If the performance of the Company's shares equals the median in the TSR comparison, 50 percent of the Performance Shares are issued; if it reaches the third quartile, 100 percent of the Performance Shares are paid out. If GEA Group Aktiengesellschaft's shares outperform all other MDAX companies, 300 percent of the Performance Shares are issued. Other performance figures are interpolated between these values. The total amount paid out corresponds to the number of Performance Shares allotted to a participant multiplied by the average share price over the last quarter of the three-year performance period. Once the performance period has expired, participants may freely dispose of their personal investment in GEA Group Aktiengesellschaft shares.

The fourth tranche expired on June 30, 2012. The TSR comparison over the three-year performance period resulted in a payout ratio of 87.95 percent. In the previous year, the TSR, at 5.96 percent, had been below the median, so there was no payout for the third tranche. The payout amounted to EUR1,078 thousand (previous year: EUR 0 thousand).

The number of Performance Shares changed as follows in fiscal year 2012:

(Number of shares)	12/31/2011	Additions	Expired	Paid Out	Changes in combined Group	12/31/2012
2009 tranche	54,675	—	—	54,675	—	—
2010 tranche	42,185	—	2,505	—	—	39,680
2011 tranche	27,529	—	—	—	—	27,529
2012 tranche	—	24,575	—	—	—	24,575
Total	**124,389**	**24,575**	**2,505**	**54,675**	**—**	**91,784**

The number of Performance Shares changed as follows in fiscal year 2011:

(Number of shares)	12/31/2010	Additions	Expired	Paid Out	Changes in combined Group	12/31/2011
2008 tranche	29,070	—	29,070	—	—	—
2009 tranche	65,475	—	10,800	—	—	54,675
2010 tranche	48,865	—	6,680	—	—	42,185
2011 tranche	—	27,529	—	—	—	27,529
Total	**143,410**	**27,529**	**46,550**	**—**	**—**	**124,389**

The total expense for fiscal year 2012 amounts to EUR 376 thousand (previous year: EUR 866 thousand), taking into account the fair value as of December 31, 2012, of EUR 16.45 (previous year: EUR 20.65) for the fifth tranche, EUR 13.37 (previous year: EUR 17.08) for the sixth tranche, EUR 12.11 for the seventh tranche, and EUR 19.71 (previous year: EUR 0) for the fourth tranche (previous year: third tranche) at the payment date.

The fair value of the Performance Shares is determined using a Monte Carlo simulation. The following valuation assumptions are applied:

	2012			2011		
Tranche	**2010**	**2011**	**2012**	**2009**	**2010**	**2011**
Share price (EUR)	25.76	25.35	24.47	22.59	22.20	21.85
Dividend yield (%)	2.800	2.800	2.800	1.615	1.615	1.615
Risk-free interest rate (%)	0.017	(0.055)	(0.009)	0.101	0.055	0.248
Volatility GEA shares (%)	27.44	27.44	27.44	44.38	44.38	44.38

As the payout ratio of GEA Group Aktiengesellschaft's Performance Shares is linked to the MDAX, the volatilities of all MDAX shares and their correlations to GEA Group Aktiengesellschaft shares are also calculated. The calculation of volatilities and correlations is based on historical market data. Risk-free interest rates were determined from German government bond yields.

6.3.4 Redundancy plan and severance payments

The redundancy plan liabilities and severance payments were recognized because of the consolidation of all of GEA Group's heat exchanger activities in the GEA Heat Exchangers Segment in 2010, which resulted in the closure of a number of production sites.

6.4 Financial liabilities

Financial liabilities as of December 31, 2012, were composed of the following items:

	12/31/2012	12/31/2011	01/01/2011
		(EUR thousand)	
Liabilities to GEA Group AG and affiliated companies	246,905	65,144	55,897
Liabilities to other equity investments	—	—	—
Liabilities to banks	444	575	10,794
Liabilities under finance leases	5,420	5,625	5,972
Liabilities from derivatives	85	352	266
Non-current financial liabilities	**252,854**	**71,696**	**72,929**
Liabilities to GEA Group AG and affiliated companies	308,919	449,488	273,957
Liabilities to other equity investments	170	321	1,698
Liabilities to banks	6,042	12,201	3,886
Liabilities under finance leases	456	414	718
Liabilities from derivatives	1,065	3,714	3,172
Current financial liabilities	316,652	466,138	283,431
Total financial liabilities	**569,506**	**537,834**	**356,360**

Liabilities to banks

The maturities of liabilities to banks are as follows:

	12/31/2012	12/31/2011
	(EUR thousand)	
< 1 year	6,042	12,201
1 - 2 years	150	139
2 - 3 years	148	145
3 - 4 years	140	148
4 - 5 years	6	143
Total	**6,486**	**12,776**

Liabilities to banks in the eurozone bore interest rates of between 4.5 percent and 4.6 percent, depending on their maturity and financing purpose (previous year: between 4.5 percent and 6.2 percent). The group additionally had foreign currency liabilities in Brazilian real and Indian rupees that also bear standard market interest rates in those countries of around 11.0 percent (previous year: 15.0 percent) and 12.0 percent (previous year: no loans), respectively.

Cash credit and guarantee credit lines

HX Group has its own guarantee lines primarily for the performance of contracts, advance payments, and warranty obligations in the amount of EUR 109,934 thousand (previous year: EUR 181,300 thousand; year before last: EUR 187,700 thousand), EUR 49,614 thousand of which has been utilized (previous year: EUR 81,796 thousand; year before last: EUR 83,734 thousand). In agreement with GEA Group AG's central finance unit, the HX Group companies can also draw on corresponding GEA Group AG guarantee lines, EUR 239,454 thousand of which was utilized (previous year: EUR 269,790 thousand; year before last: EUR 321,888 thousand).

Liabilities under finance leases

The following table shows a breakdown of future payments under finance leases:

	Minimum lease payments		Interest		Present value of minimum lease payments	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
			(EUR thousand)			
Not later than one year	504	458	48	44	456	414
Between one and five years	4,210	963	1,146	143	3,064	820
Later than five years	3,748	8,352	1,392	3,547	2,356	4,805
Total future payments under finance leases	**8,462**	**9,773**	**2,586**	**3,734**	**5,876**	**6,039**

	01/01/2011		
	Minimum lease payments	Interest	Present value of minimum lease payments
		(EUR thousand)	
Not later than one year	771	53	718
Between one and five years	936	132	804
Later than five years	9,025	3,857	5,168
Total future payments under finance leases	**10,732**	**4,042**	**6,690**

Liabilities under finance leases are mainly attributable to land and buildings leased from GEA Group and third parties, as well as IT equipment leased from GEA Group. The present value of minimum lease payments as of December 31, 2012, relating to leases for land and buildings amounted to EUR 5,218 thousand (previous year: EUR 5,616 thousand; year before last: EUR 5,981 thousand).

As the interest rates used in leases are constant, the fair value of lease liabilities may be exposed to interest rate risk. All leases comprise contractually agreed payments.

Liabilities under finance leases are effectively secured because the rights to the leased asset revert to the lessor if the terms and conditions of the lease are breached.

Derivative financial instruments

Derivative financial instruments are explained in section 6.8.

6.5 Trade payables

Trade payables were as follows as of December 31, 2012:

	12/31/2012	12/31/2011	01/01/2011
		(EUR thousand)	
Trade payables	231,750	285,258	233,161
of which to third parties	227,869	278,971	228,456
of which to GEA Group and affiliated companies	3,203	4,925	2,945
of which to other equity investments	678	1,362	1,760

Trade payables of EUR 218,098 thousand (previous year: EUR 273,345 thousand; year before last: EUR 223,622 thousand) are due within one year. The balance of EUR 13,652 thousand (previous year: EUR 11,913 thousand; year before last: EUR 9,539 thousand) is due after more than one year.

6.6 Income tax liabilities

Income tax liabilities relate to current taxes and amounted to EUR 19,910 thousand at the reporting date (previous year: EUR 20,726 thousand; year before last: EUR 20,575 thousand).

6.7 Other liabilities

Other liabilities as of December 31, 2012, are composed of the following items:

	12/31/2012	12/31/2011	01/01/2011
		(EUR thousand)	
Other non-current liabilities	**4,833**	**5,517**	**1,306**
Payments on account received in respect of orders and construction contracts	100,461	47,718	21,597
Gross amount due to customers for contract work	82,008	107,624	122,015
of which to third parties	82,008	107,624	121,786
of which to other equity investments	—	—	229
Liabilities from other taxes	10,391	11,906	13,728
Other liabilities	50,344	50,615	29,236
of which to third parties	27,324	28,943	21,476
of which to GEA Group and affiliated companies	23,014	21,672	7,760
of which to other equity investments	6	—	—
of which social security	5,732	6,039	5,971
of which other liabilities to employees	3,452	4,009	4,604
Other current liabilities	**243,204**	**217,863**	**186,576**
Total other liabilities	**248,037**	**223,380**	**187,882**

Payments on account received in respect of orders amounting to EUR 8,142 thousand (previous year: EUR 6,888 thousand; year before last: EUR 12,085 thousand) and other liabilities amounting to EUR 0 thousand (previous year: EUR 0 thousand; year before last: EUR 514 thousand) are secured.

The gross amount due to customers for contract work is the aggregate amount of orders whose progress billings exceed the capitalized cost plus the contract gains and losses recognized.

6.8 Financial instruments

The following tables provide an overview of the composition of financial instruments as of December the respective reporting dates by class within the meaning of IFRS 7 as well as by measurement category. The tables also include financial assets and liabilities, as well as derivatives that are included in recognized hedging relationships, but do not belong to any of the IAS 39 measurement categories.

	Carrying amount 12/31/2012	Measurement in accordance with IAS 39: Amortized cost	Measurement in accordance with IAS 39: Fair value through profit or loss	Measurement in accordance with IAS 39: Fair value recognized in other comprehensive income	Measurement in accordance with other IFRSs	Fair value 12/31/2012
	(EUR thousand)					
Assets						
Trade receivables	415,257	306,179	—	—	109,078	415,257
of which PoC receivables	109,078	—	—	—	109,078	109,078
of which from GEA Group AG and affiliated companies	8,261	8,261	—	—	—	8,261
of which from other equity investments	5,770	5,770	—	—	—	5,770
Income tax receivables	8,096	—	—	—	8,096	8,096
Cash and cash equivalents	148,221	148,221	—	—	—	148,221
Other financial assets	409,687	386,338	231	840	22,278	419,758
of which loans to GEA Group AG and affiliated companies	340,369	340,369	—	—	—	350,440
of which derivatives included in hedging relationships	840	—	—	840	—	840
By IAS 39 measurement category						
Loans and receivables	839,740	839,740	—	—	—	839,740
of which cash and cash equivalents	148,221	148,221	—	—	—	148,221
of which trade receivables	306,179	306,179	—	—	—	306,179
of which other financial assets	385,340	385,340	—	—	—	385,340
Available-for-sale investments	996	996	—	—	—	996
Financial assets at fair value through profit or loss (derivatives not included in a recognized hedging relationship)	231	—	231	—	—	231
Liabilities						
Trade payables	231,750	231,750	—	—	—	231,750
of which to GEA Group AG and affiliated companies	3,203	3,203	—	—	—	3,203
of which to other equity investments	678	678	—	—	—	678
Financial liabilities	569,506	562,480	472	678	5,876	603,105
of which loans from GEA Group AG and affiliated companies	555,824	555,824	—	—	—	589,423
of which liabilities under finance leases	5,876	—	—	—	5,876	5,876
of which derivatives included in hedging relationships	678	—	—	678	—	678
Income tax liabilities	19,910	—	—	—	19,910	19,910
Other financial liabilities	248,037	43,419	—	—	204,618	248,037
By IAS 39 measurement category						
Financial liabilities at amortized cost	837,649	837,649	—	—	—	871,248
of which trade payables	231,750	231,750	—	—	—	231,750
of which liabilities to banks	6,486	6,486	—	—	—	6,486
of which loans from GEA Group AG and affiliated companies	555,994	555,994	—	—	—	589,593
of which other liabilities to other equity investments	26,619	26,619	—	—	—	26,619
of which other liabilities	16,800	16,800	—	—	—	16,800
Financial liabilities at fair value through profit or loss (derivatives not included in a hedging relationship)	472	—	472	—	—	472

	Carrying amount 12/31/2011	Measurement in accordance with IAS 39			Measurement in accordance with other IFRSs	Fair value 12/31/2011
		Amortized cost	Fair value through profit or loss	Fair value recognized in other comprehensive income		
			(EUR thousand)			
Assets						
Trade receivables	426,679	321,933	—	—	104,746	426,679
of which PoC receivables	104,746	—	—	—	104,746	104,746
of which from GEA Group AG and affiliated companies	6,916	6,916	—	—	—	6,916
of which from other equity investments	12,106	12,106	—	—	—	12,106
Income tax receivables	4,076	—	—	—	4,076	4,076
Cash and cash equivalents	164,152	164,152	—	—	—	164,152
Other financial assets	345,660	314,254	998	2,645	27,763	345,660
of which loans to GEA Group AG and affiliated companies	265,392	265,392				265,392
of which derivatives included in hedging relationships	2,645	—	—	2,645	—	2,645
By IAS 39 measurement category						
Loans and receivables	799,104	799,104	—	—	—	799,104
of which cash and cash equivalents	164,152	164,152	—	—	—	164,152
of which trade receivables	321,933	321,933	—	—	—	321,933
of which other financial assets	313,019	313,019	—	—	—	313,019
Available-for-sale investments	1,233	1,233	—		—	1,233
Financial assets at fair value through profit or loss (derivatives not included in a recognized hedging relationship)	998	—	998	—	—	998
Liabilities						
Trade payables	285,258	285,258	—	—	—	285,258
of which to GEA Group AG and affiliated companies	4,925	4,925	—	—	—	4,925
of which to other equity investments	1,362	1,362	—	—	—	1,362
Financial liabilities	537,834	527,729	2,030	2,036	6,039	559,356
of which loans to GEA Group AG and affiliated companies	514,632	514,632	—	—	—	536,154
of which liabilities under finance leases	6,039	—	—	—	6,039	6,039
of which derivatives included in hedging relationships	2,036	—	—	2,036	—	2,036
Income tax liabilities	20,726	—	—	—	20,726	20,726
Other financial liabilities	223,380	39,210	—	—	184,170	223,380
By IAS 39 measurement category						
Financial liabilities at amortized cost	852,197	852,197	—	—	—	873,719
of which trade payables	285,258	285,258	—	—	—	285,258
of which liabilities to banks	12,776	12,776	—	—	—	12,776
of which loans to GEA Group AG and affiliated companies	514,953	514,953	—	—	—	536,475
of which other liabilities to other equity investments	22,843	22,843	—	—	—	22,843
of which other liabilities	16,367	16,367	—	—	—	16,367
Financial liabilities at fair value through profit or loss (derivatives not included in a hedging relationship)	2,030	—	2,030	—	—	2,030

	Carrying amount 01/01/2011	Measurement in accordance with IAS 39: Amortized cost	Measurement in accordance with IAS 39: Fair value through profit or loss	Measurement in accordance with IAS 39: Fair value recognized in other comprehensive income	Measurement in accordance with other IFRSs	Fair value 01/01/2011
	(EUR thousand)					
Assets						
Trade receivables	378,636	291,830	—	—	86,806	378,636
of which PoC receivables	86,806	—	—	—	86,806	86,806
of which from GEA Group AG and affiliated companies	7,095	7,095	—	—	—	7,095
of which from other equity investments	8,313	8,313	—	—	—	8,313
Income tax receivables	6,652	—	—	—	6,652	6,652
Cash and cash equivalents	155,280	155,280	—	—	—	155,280
Other financial assets	274,851	244,897	515	1,547	27,892	274,851
of which loans to GEA Group AG and affiliated companies	204,571	204,571	—	—	—	204,571
of which derivatives included in hedging relationships	1,547	—	—	1,547	—	1,547
By IAS 39 measurement category						
Loans and receivables	688,071	688,071	—	—	—	688,071
of which cash and cash equivalents	155,280	155,280	—	—	—	155,280
of which trade receivables	291,830	291,830	—	—	—	291,830
of which other financial assets	240,961	240,961	—	—	—	240,961
Available-for-sale investments	3,937	3,937	—		—	3,937
Financial assets at fair value through profit or loss (derivatives not included in a recognized hedging relationship)	515	—	515	—	—	515
Liabilities						
Trade payables	233,161	233,161	—	—	—	233,161
of which to GEA Group AG and affiliated companies	2,945	2,945	—	—	—	2,945
of which to other equity investments	1,760	1,760	—	—	—	1,760
Financial liabilities	356,360	346,232	461	2,977	6,690	359,005
of which loans to GEA Group AG and affiliated companies	329,854	329,854	—	—	—	332,499
of which liabilities under finance leases	6,690	—	—	—	6,690	6,690
of which derivatives included in hedging relationships	2,977	—	—	2,977	—	2,977
Income tax liabilities	20,575	—	—	—	20,575	20,575
Other financial liabilities	187,882	11,667	—	—	176,215	187,882
By IAS 39 measurement category						
Financial liabilities at amortized cost	591,060	591,060	—	—	—	593,705
of which trade payables	233,161	233,161	—	—	—	233,161
of which liabilities to banks	14,680	14,680	—	—	—	14,680
of which loans to GEA Group AG and affiliated companies	331,552	331,552	—	—	—	334,197
of which other liabilities to GEA Group AG and affiliated companies	3,046	3,046	—	—	—	3,046
of which other liabilities	8,621	8,621	—	—	—	8,621
Financial liabilities at fair value through profit or loss (derivatives not included in a hedging relationship)	461	—	461	—	—	461

Financial instruments measured at fair value can be classified as follows into the levels defined in the fair value measurement hierarchy:

Level 1 Quoted prices (unadjusted) in active markets for identical financial instruments.
Level 2 Inputs that are observable directly (as prices) or indirectly (derived from prices) and that are not quoted prices as defined by Level 1.
Level 3 Inputs that are not based on observable market data.

	12/31/2012	12/31/2011	01/01/2011
	Level 2	Level 2	Level 2
		(EUR thousand)	
Assets			
Derivatives	1,071	3,643	2,062
of which: derivatives included in hedging relationships	840	2,645	1,547
Equity and liabilities			
Derivatives	1,150	4,066	3,438
of which: derivatives included in hedging relationships	678	2,036	2,977

As of the reporting dates, no financial instruments measured at fair value had been assigned to level 1 or level 3.

Non-derivative financial assets

The carrying amount of the trade receivables and other financial assets that are subject to the IAS 39 measurement requirements corresponds to their fair value. Assets allocated to the "available-for-sale financial assets" category are measured at amortized cost. These are shares in unconsolidated companies and other equity investments whose fair value cannot be determined reliably.

Non-derivative financial liabilities

The carrying amount of the trade payables and other current liabilities that are subject to the measurement rules of IAS 39 corresponds to their fair value. The fair value of fixed-interest liabilities is the present value of their expected future cash flows. They are discounted at the rates prevailing at the reporting date. The carrying amount of variable-rate liabilities corresponds to their fair value.

Derivative financial instruments

The fair value of currency forwards at the reporting date is calculated on the basis of the spot exchange rate, taking into account forward premiums and discounts corresponding to the relevant remaining maturities. Forward premiums and discounts are derived from yield curves observable at the reporting date. The fair value of currency options is calculated on the basis of recognized measurement models. Fair value is affected by the remaining term of the option, the current exchange rate, the volatility of the exchange rate, and the underlying yield curves.

HX Group uses currency forwards as derivative financial instruments to hedge foreign currency risk for existing or planned underlying transactions.

The following table presents the notional values and fair values of the derivative financial instruments in use as of the reporting date. The notional value in foreign currency is translated at the closing rate.

	12/31/2012		12/31/2011	
	Notional value	Fair value	Notional value	Fair value
		(EUR thousand)		
Assets				
Currency derivatives not included in a hedging relationship	11,558	231	14,099	998
Currency derivatives included in a cash flow hedge	36,950	840	52,273	2,645
Total	**48,508**	**1,071**	**66,372**	**3,643**
Equity and liabilities				
Currency derivatives not included in a hedging relationship	22,714	472	30,676	2,030
Currency derivatives included in a cash flow hedge	32,696	678	45,712	2,036
Total	**55,410**	**1,150**	**76,388**	**4,066**

Derivative financial instruments included in recognized hedging relationships

Derivative financial instruments included in recognized hedging relationships serve exclusively to hedge foreign currency risks from future sale and procurement transactions (cash flow hedges).

Derivatives are measured at fair value, which is split into an effective and an ineffective portion. The effective portion and any change in this amount are recognized in other comprehensive income until the hedged item is recognized in the balance sheet. The ineffective portion is recognized in the income statement. When the hedged item is recognized in the balance sheet, gains and losses recognized in OCI are transferred to profit or loss and the hedge is unwound. In the case of a sale transaction, the effective portion is recognized as revenue, whereas in the case of a procurement transaction the cost is adjusted accordingly.

As of December 31, 2012, gains of EUR 847 thousand (previous year: EUR 2,730 thousand) and losses of EUR 736 thousand (previous year: EUR 2,045 thousand) from currency derivatives were recognized directly in equity.

In the course of the fiscal year, EUR 665 thousand (previous year: EUR 1.364 thousand) was recognized in the income statement due to the hedged items being recognized in the balance sheet, and EUR 252 thousand (previous year: EUR (415) thousand) was offset against the cost of assets. The amounts recognized in the income statement resulted in an increase in revenue of EUR 1.050 thousand (previous year: EUR 1.695 thousand). In addition, gains of EUR 845 thousand (previous year: gains of EUR 2.013 thousand) and losses of EUR (1.231) thousand (previous year: losses of EUR (2.347) thousand) were reported in net exchange rate gains/losses.

As in the previous year, there was no significant hedge ineffectiveness.

87 percent (previous year: 93 percent) of the hedged cash flows from the underlying transactions designated at the reporting date are expected to fall due in the following year. The remaining 13 percent (previous year: 7 percent) are due by 2015 (previous year: 2014). If financial assets are hedged, the derivatives are recognized in the income statement at the same time as the hedged items are recognized in the income statement and balance sheet. If financial liabilities from procurement transactions are hedged, the derivatives are recognized in the income statement when the purchased goods or services are recognized in the income statement.

Derivative financial instruments not included in recognized hedging relationships

If the criteria for recognizing a hedging relationship are not met, any change in fair value is recognized in the income statement.

Income and expenses

The measurement effects from financial instruments have largely been recognized in profit or loss. The following table shows net income from financial instruments, broken down by the IAS 39 measurement categories:

	12/31/2012			12/31/2011		
	Net income	**of which interest income/ expense**	**of which impairment losses/ reversals of impairment losses**	**Net income**	**of which interest income/ expense**	**of which impairment losses/ reversals of impairment losses**
			(EUR thousand)			
Loans and receivables	3,267	7,516	(2,251)	5,927	4,580	1,050
Available-for-sale investments	(70)	—	(113)	(382)	—	(83)
Financial assets/liabilities at fair value through profit or loss	433	—	—	(1,969)	—	—
Financial liabilities at amortized cost	(20,286)	(21,057)	—	(17,998)	(17,805)	—
Total	**(16,656)**	**(13,541)**	**(2,364)**	**(14,422)**	**(13,225)**	**967**

7. Combined income statement disclosures

7.1 Revenue

Revenue is composed of the following items:

	01/01/2012 - 12/31/2012	01/01/2011 - 12/31/2011
	(EUR thousand)	
From construction contracts	536,418	577,067
of which from third parties	526,723	569,583
of which from GEA Group AG and affiliated companies	1,864	2,272
of which from other equity investment	7,831	5,212
From sale of goods and services	869,555	862,241
of which from third parties	824,429	818,885
of which from GEA Group AG and affiliated companies	26,686	24,442
of which from other equity investment	18,440	18,914
From service agreements	202,796	177,500
of which from third parties	199,241	173,154
of which from GEA Group AG and affiliated companies	2,550	2,351
of which from other equity investment	1,005	1,995
Total	**1,608,769**	**1,616,808**

7.2 Other income

Other income is composed of the following items:

	01/01/2012 - 12/31/2012	01/01/2011 - 12/31/2011
	(EUR thousand)	
Exchange rate gains	15,680	14,811
Gains on the measurement of foreign currency derivatives	3,814	4,886
Rental and lease income	218	106
Income from payments received on reversals previously written off	986	1,440
Income from disposal of non-current assets	1,721	968
Income from compensation payments and cost reimbursements	259	1,467
Miscellaneous other income	12,272	15,169
Total	**34,950**	**38,847**

Miscellaneous other income includes EUR 576 thousand (previous year: EUR 213 thousand) in income from GEA Group AG and affiliated companies, and EUR 1 thousand (previous year: EUR 60 thousand) in income from other equity investments.

7.3 Other expenses

Other expenses are composed of the following items:

	01/01/2012 - 12/31/2012	01/01/2011 - 12/31/2011
	(EUR thousand)	
Exchange rate losses	18,029	14,252
Losses on the measurement of foreign currency derivatives	3,381	6,855
Bad debt allowances on trade receivables	1,804	222
Restructuring expenses	3,891	15,303
Cost of money transfers and payment transactions	236	297
Losses on the disposal of non-current assets	641	561
Miscellaneous other expenses	27,635	24,507
Total	**55,617**	**61,997**

Miscellaneous other expenses include EUR 9,730 thousand (previous year: EUR 6,732 thousand) in expenses payable to third parties and EUR 17,905 thousand (previous year: EUR 17,775 thousand) in expenses payable to GEA Group AG and affiliated companies. These primarily comprise costs recharged by GEA companies for services received, such as IT services.

Restructuring expenses

The restructuring expenses in the amount of EUR 3,891 thousand (previous year: EUR 15,303 thousand) were mainly due to the closure of two production sites, in Turkey and Brazil.

The restructuring expenses are composed of the following items:

	01/01/2012 - 12/31/2012	01/01/2011 - 12/31/2011
	(EUR thousand)	
Severance pay	2,034	3,632
Reversal of impairment losses (Previous year impairment) on non-current assets	(1,829)	3,834
Impairment on current assets	715	2,984
Other restructuring costs	2,971	4,853
Total	**3,891**	**15,303**

Other restructuring expenses include the negative effects of inefficiencies in the operating business caused by the restructuring of production sites and fees for advisory services.

7.4 Presentation of selected income and expenses by cost type

Cost of materials

The cost of materials included in cost of sales decreased by EUR 59,072 thousand in the reporting period to EUR 875,737 thousand (previous year: EUR 934,809 thousand). Cost of materials was 54.8 percent of gross revenue and was therefore lower than the previous year's figure of 57.5 percent.

Personnel expenses

Personnel expenses increased by EUR 7,730 thousand in 2012 to EUR 350,708 thousand (previous year: EUR 342,978 thousand). The interest cost on expected pension obligations is not recognized under personnel expenses, but under financial and interest expenses. Personnel expenses include wages and salaries in the amount of EUR 287,403 thousand (previous year: EUR 282,015 thousand) as well as social security contributions and expenses for post-employment benefits of EUR 63,305 thousand (previous year: EUR 60,963 thousand). The ratio of personnel expenses to revenue thus rose to 21.9 percent of gross revenue (previous year: 21.1 percent).

Depreciation, amortization, and impairment losses

Depreciation, amortization, and impairment losses totaling EUR 40,527 thousand (previous year: EUR 42,021 thousand) were charged on property, plant and equipment, investment property, and intangible assets in the reporting period. Depreciation, amortization, and impairment losses are largely included in cost of sales.

Impairment losses on non-derivative financial assets excluding trade receivables amounted to EUR 1,546 thousand in the reporting period (previous year: EUR 251 thousand). EUR 112 thousand of this amount (previous year: EUR 272 thousand) was attributable to non-current financial assets. Impairment losses on equity investments and marketable securities are contained in the financial expenses item. Inventories were written down by EUR 1,687 thousand (previous year: EUR 1,132 thousand). The remaining impairment losses form part of the cost of sales.

7.5 Other financial income and interest income

Other financial income

Other financial income is composed of income from reversals of impairment losses on financial instruments, income from profit transfers, and investment income from other equity investments:

	01/01/2012 - 12/31/2012	01/01/2011 - 12/31/2011
	(EUR thousand)	
Income from profit transfer agreements	178	146
Income from other equity investments	157	168
of which from unconsolidated companies	114	150
Total	**335**	**314**

Interest income

Interest and similar income is composed of the following items:

	01/01/2012 - 12/31/2012	01/01/2011 - 12/31/2011
	(EUR thousand)	
Interest income on receivables, cash investments, and marketable securities	7,437	4,368
of which from third parties	2,352	1,096
of which from GEA Group AG and affiliated companies	4,984	3,237
of which from other equity investments	101	35
Interest income on plan assets	—	—
Other interest income	79	275
of which from third parties	79	275
of which from GEA Group AG and affiliated companies	—	—
of which from other equity investments	—	—
Total	**7,516**	**4,643**

The following table shows the interest income on financial instruments broken down by the IAS 39 measurement categories, along with the interest income on assets measured in accordance with other pronouncements:

	01/01/2012 - 12/31/2012	01/01/2011 - 12/31/2011
	(EUR thousand)	
Loans and receivables	7,516	4,580
of which from third parties	2,431	1,308
of which from GEA Group AG and affiliated companies	4,984	3,237
of which from other equity investments	101	35
Financial assets not measured in accordance with IAS 39	—	63
Total	**7,516**	**4,643**

7.6 Other financial expenses and interest expenses

Other financial expenses

Other financial expenses for fiscal year 2012 amounted to EUR 1,546 thousand (previous year: EUR 251 thousand) and consist solely of impairment losses on financial assets (excluding trade receivables).

Interest expense

Interest and similar expenses comprised the following items:

	01/01/2012 - 12/31/2012	01/01/2011 - 12/31/2011
	(EUR thousand)	
Interest expenses on financial liabilities	19,612	15,911
of which from third parties	2,042	1,276
of which from GEA Group AG and affiliated companies	17,569	14,631
of which from other equity investments	1	4
Interest cost from discounting unwinding on defined benefit obligations	742	680
Interest cost from discounting unwinding on discounted provisions and other employee benefit obligations	3	6
Other interest expenses	1,878	2,414
of which from third parties	1,878	2,414
of which from GEA Group AG and affiliated companies	—	—
of which from other equity investments	—	—
Total interest expenses	**22,235**	**19,011**

The following table shows the interest expenses on financial instruments broken down by the IAS 39 measurement categories, along with the interest expenses on liabilities measured in accordance with other pronouncements:

	01/01/2012 - 12/31/2012	01/01/2011 - 12/31/2011
	(EUR thousand)	
Financial liabilities at amortized cost	21,057	17,805
of which from third parties	3,487	3,170
of which from GEA Group AG and affiliated companies	17,569	14,631
of which from other equity investments	1	4
Financial liabilities not measured in accordance with IAS 39	1,178	1,206
of which from third parties	1,178	1,206
of which from GEA Group AG and affiliated companies	—	—
of which from other equity investments	—	—
Total	**22,235**	**19,011**

If finance can be allocated to a specific investment, the actual borrowing costs are capitalized as part of the cost of the investment. Where no direct relationship can be established, an average interest rate for borrowings in the current period is used as the capitalization rate. This amounted to 3.8 percent in fiscal year 2012 (previous year: 4.0 percent). Interest income generated on advance payments and progress payments received reduces the cost of the asset. In fiscal year 2012, net interest income of EUR 473 thousand (previous year: EUR 298 thousand) was allocated to the cost of assets.

In the fiscal year under review, expenses totaling EUR 236 thousand (previous year: EUR 297 thousand) were incurred for fees that were not included in the calculation of the effective interest rate.

7.7 Taxes on income

The income tax expense is calculated on the basis of HX Group’s structure under company law as of December 31, 2013, following the implementation of the restructuring measures under company law planned by the management of GEA Group AG for 2013 (see also section 1).

The income tax expense is composed of the following items:

	01/01/2012 - 12/31/2012	01/01/2011 - 12/31/2011
	(EUR thousand)	
Current taxes	30,210	32,092
Germany	11,257	7,496
Other countries	18,953	24,596
Deferred taxes	6,914	5,274
Total	**37,124**	**37,366**

The expected tax expense is calculated using the tax rate of 29.60 percent (previous year: 29.83 percent) applicable to HX companies in separate tax groups. This includes an average trade tax rate of 13.77 percent (previous year: 14.00 percent) in addition to the uniform corporate income tax rate of 15.00 percent (previous year: 15.00 percent) and the solidarity surcharge of 0.825 percent (previous year: 0.825 percent). The following table shows a reconciliation to the effective tax rate of 31.92 percent (previous year: 35.71 percent):

	01/01/2012 - 12/31/2012		01/01/2011 - 12/31/2011	
	(EUR thousand)	(%)	(EUR thousand)	(%)
Profit before tax	**116,297**	**—**	**104,633**	**—**
Expected tax expense	34,424	29.60	31,212	29.83
Non-tax deductible expense	1,417	1.22	735	0.70
Tax-exempt income	(2,399)	(2.06)	(1,601)	(1.53)
Change in valuation allowances	5,792	4.98	7,030	6.72
Change in tax rates	1,626	1.40	(629)	(0.60)
Foreign tax rate differences	(4,611)	(3.97)	(3,050)	(2.92)
Other income taxes	3,081	2.65	3,561	3.40
Other	(2,206)	(1.90)	108	0.11
Income tax and effective tax rate	**37,124**	**31.92**	**37,366**	**35.71**

The foreign tax rate differences are due to different tax rates outside Germany in comparison to the German tax rate of 29.60 percent (2011: 29.83 percent). The tax rates for foreign companies varied between 10.00 percent (Qatar) and 37.25 percent (U.S.A.) in 2012, and between 10.00 percent (Qatar) and 38.76 percent (U.S.A.) in 2011. Material tax rate differences arose in China, Hungary, the Czech Republic, and Poland.

Other income tax is attributable to foreign withholding taxes and other foreign income taxes. In 2012, EUR 1,847 thousand of the foreign withholding taxes related to German companies and EUR 1,136 thousand of the other foreign income taxes related to French and Italian companies. In 2011, EUR 623 thousand of the other income tax related to German companies and EUR 2,188 thousand to French and Hungarian companies.

Deferred tax assets and liabilities can be broken down into current and non-current assets and liabilities as follows:

	12/31/2012	12/31/2011	01/01/2011
		(EUR thousand)	
Current deferred tax assets	23,689	27,604	26,924
Non-current deferred tax assets	28,247	30,713	35,235
Total deferred tax assets	**51,936**	**58,317**	**62,159**
Current deferred tax liabilities	8,093	7,851	3,413
Non-current deferred tax liabilities	17,270	18,352	20,796
Total deferred tax liabilities	**25,363**	**26,203**	**24,209**
Net deferred tax assets	**26,573**	**32,114**	**37,950**

Deferred tax assets and liabilities as of December 31, 2012, December 31, 2011, and January 1, 2011, are composed of the following items:

	Deferred tax assets			Deferred tax liabilities		
	12/31/2012	12/31/2011	01/01/2011	12/31/2012	12/31/2011	01/01/2011
			(EUR thousand)			
Property, plant, and equipment	3,055	872	3,300	9,015	8,406	9,770
Intangible assets	1,077	716	555	9,050	9,203	9,989
Goodwill	12,721	15,377	17,751	737	1,404	727
Other non-current financial assets	92	275	310	53	81	216
Non-current assets	**16,945**	**17,240**	**21,916**	**18,855**	**19,094**	**20,702**
Inventories	10,014	11,329	8,105	405	652	171
Trade receivables	2,425	2,869	3,342	8,290	5,215	5,568
Other current financial assets	1,400	2,132	939	3,107	2,829	1,114
Cash and cash equivalents	78	—	174	—	9	17
Current assets	**13,917**	**16,330**	**12,560**	**11,802**	**8,705**	**6,870**
Total assets	**30,862**	**33,570**	**34,476**	**30,657**	**27,799**	**27,572**
Provisions	2,515	2,488	3,727	1	1	—
Employee benefits	3,519	1,735	1,863	—	77	359
Non-current financial liabilities	33	103	20	—	17	31
Other non-current financial liabilities	—	8	18	23	39	41
Non-current liabilities	**6,067**	**4,334**	**5,628**	**24**	**134**	**431**
Provisions	6,232	7,444	14,820	455	956	480
Employee benefits	2,955	3,159	2,995	108	7	—
Current financial liabilities	2,089	2,614	463	3	197	692
Trade payables	595	1,554	1,643	5,566	4,659	305
Other current financial liabilities	8,023	6,820	2,818	710	2,811	4,778
Current liabilities	**19,894**	**21,591**	**22,739**	**6,842**	**8,630**	**6,255**
Total liabilities	**25,961**	**25,925**	**28,367**	**6,867**	**8,764**	**6,686**
Valuation allowances on temporary differences	(449)	(392)	—	—	—	—
Deferred taxes on temporary differences	**56,374**	**59,103**	**62,843**	**37,524**	**36,563**	**34,258**
Tax loss carry-forwards	33,076	29,393	28,614	—	—	—
Valuation allowances on tax loss carry-forwards	(25,353)	(19,819)	(19,249)	—	—	—
Offsetting of deferred taxes	(12,161)	(10,360)	(10,049)	(12,161)	(10,360)	(10,049)
Recognized deferred taxes	**51,936**	**58,317**	**62,159**	**25,363**	**26,203**	**24,209**

In addition to changes of EUR (6,914) thousand recognized in profit or loss (previous year: EUR (5,274) thousand), changes in deferred tax balances resulted mainly from changes of EUR 2,197 thousand recognized in other comprehensive income (previous year: EUR (578) thousand) and from deferred taxes taken directly to equity on initial consolidation amounting to EUR 74 thousand in fiscal year 2011.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred taxes relate to income taxes levied by the same taxation authority.

No deferred tax assets were recognized for tax loss carry-forwards in the amount of EUR 174,883 thousand as of December 31, 2012 (previous year: EUR 126,808 thousand; year before last: EUR 113,904 thousand), as their utilization is not sufficiently certain. Of these loss carry-forwards, EUR 83,583 thousand relates to U.S. state tax (previous year: 53,990 thousand; year before last: EUR 46,402 thousand). Most of the tax loss carry-forwards that can be carried forward for an indefinite period are in Germany and Brazil. Other foreign tax loss carry-forwards can generally only be utilized for a limited period. The significant tax loss carry-forwards that can be carried forward for a limited period are expected to expire in 2029.

8. Contingent liabilities, other financial obligations, contingent assets, and litigation

8.1 Contingent liabilities

HX Group does not have any material contingent liabilities.

Contingent liabilities for which the primary debtor is an HX Group company, and for which GEA Group AG has issued or instructed the issue of bank or group guarantees in favor of customers or lenders are not contingent liabilities of HX Group. Information on the relevant transactions is presented in the disclosures on related party transactions (section 9.3).

8.2 Other financial obligations

Other financial obligations as of December 31, 2012, are composed of the following items:

	12/31/2012	12/31/2011	01/01/2011
		(EUR thousand)	
Rental and lease obligations	63,127	68,797	71,773
Purchase commitments	173,404	349,446	364,277
Obligations under acquisition agreements	—	—	9,930
Total	**236,531**	**418,243**	**445,980**

Rental and lease agreements

Obligations under rental and lease agreements amounting to EUR 63,127 thousand (previous year: EUR 68,797 thousand; year before last: EUR 71,773 thousand) relate primarily to land and buildings, and to a lesser extent to technical equipment and machinery. The leases run until no later than 2031 (previous year: 2025). Payments are spread over future fiscal years as follows:

	12/31/2012	12/31/2011	01/01/2011
		(EUR thousand)	
Not later than one year	16,267	18,396	17,514
Between one and five years	33,238	40,263	44,847
Later than five years	13,622	10,138	9,412
Total	**63,127**	**68,797**	**71,773**

Expenses related to rental and lease agreements in fiscal year 2012 amounted to EUR 26,879 thousand (previous year: EUR 25,657 thousand). EUR 4,380 thousand of this amount (previous year: EUR 3,610 thousand) was attributable to variable rents, which are primarily adjusted based on consumer price indexes.

Purchase commitments

EUR 170,749 thousand (previous year: EUR 340,230 thousand) of the purchase commitments is attributable to inventories and EUR 1,179 thousand (previous year: EUR 7,867 thousand) to items of property, plant and equipment.

8.3 Contingent assets

Fans for a power plant air cooling system in the U.S.A. were sourced from a supplier and installed on the customer's premises. These fans had to be replaced due to significant defects that came to light during operation. As a result, HX Group asserted a claim for damages against the supplier in fiscal 2011. The dispute was resolved in a mediation process in fiscal 2012, in which the parties agreed to a payment of damages in favor of HX Group.

8.4 Litigation

Litigation in 2011

Dispute with a customer in connection with a major order

A dispute arose with the customer in connection with HX Group's performance of a general contractor agreement in South Africa for six power plant air cooling systems with an initial total contract value of around EUR 320 million. The dispute concerns additional costs caused by delays and, in the view of the customer, the resulting deferral of the due dates for its payments. The delay largely falls within the customer's scope of responsibility. The customer is claiming significant additional costs and demanding an adjustment of the payment schedule. A compromise is being sought through an out-of-court mediation process.

Arbitration proceedings with a production site contractor

A Turkish contractor was engaged to build a new production site in Turkey. The production site was completed and put into operation. However, there were various defects in the construction, for which a deduction was made from the fee invoiced by the contractor. In addition to the unpaid fee, the contractor made various compensation claims for additional construction materials and personnel costs. The dispute was resolved through arbitration in 2012.

Court proceedings with a power plant air cooling system contractor

An Italian contractor was subcontracted to construct a component in connection with a general contractor agreement for a power plant air cooling system in Greece. Contract performance by this contractor was delayed and, moreover, defective. Consequently, a right of set-off was asserted against the contractor and the fee was not paid in full. The contractor considers the set-off to be unjustified and initiated proceedings for payment of the full fee. The Bochum Regional Court is determining the extent to which the amount claimed is justified.

Litigation in 2012

Dispute with a subcontractor in connection with a major order

In connection with the major order in South Africa, regarding which there was already a legal dispute with the customer as of December 31, 2011, a dispute arose with a subcontractor engaged to construct a component. There are opposing views regarding the selection and installation of bolts and the painting to be applied by the subcontractor, with significant amounts claimed in relation to both services. The contract includes provisions regarding the performance of these two services by the subcontractor, according to which the subcontractor has technical responsibility in both cases. However, the subcontractor asserts that it was given incorrect technical specifications. Both disputes are being discussed in out-of-court mediation proceedings.

Court proceedings with a power plant air cooling system contractor

The court proceedings at the Bochum Regional Court already described under litigation in 2011 were still ongoing as of December 31, 2012. Initially, detailed evidence regarding the existence and extent of the construction defects is being heard.

Mediation/court proceedings with subcontractors in connection with maintenance work

A South African subcontractor was engaged in connection with an ongoing maintenance contract for a major power plant in South Africa. The subcontractor was paid for its services based on its actual expenses and work performed. After failing in mediation, the subcontractor submitted a claim for payment, over and above the payment already received, for additional expenses and work to a court of arbitration. However, based on a review of all of the invoices presented by the subcontractor that had been paid, it was established that certain services had been invoiced and paid several times. HX Group has therefore initiated proceedings for repayment against the subcontractor at a state court.

General

Adequate provisions have been recognized for all risks arising from both the legal disputes described above and other legal disputes being pursued by HX Group in the course of its ordinary operating activities. However, the outcome of these proceedings cannot be predicted with any degree of certainty. It is therefore possible that the conclusion of the proceedings may result in expenses that exceed the amounts that may have been set aside for them.

9. Other disclosures

9.1 Combined cash flow statement disclosures

Cash flow from financing activities includes the cash inflows and outflows from financing transactions with GEA Group Aktiengesellschaft and affiliated companies. These include EUR (19,805) thousand (previous year: EUR 105,980 thousand) for payments related to borrowing and repaying loans, as well as changes in the cash pool position. This item also includes EUR (2,600) thousand (previous year: EUR (124,962) thousand) for payments made for acquisitions and other investments in GEA Group activities that are not reported in the financial statements of HX Group and therefore do not form part of HX Group's investing activities. A payment of EUR 22,123 thousand was recognized in 2011 for the legal disposal of HX Group activities that still belong to HX Group for economic purposes. The item also includes EUR (75,597) thousand (previous year: EUR (65,244) thousand) for payments under profit transfer agreements and dividend payments between HX Group companies and GEA Group.

9.2 Government grants

Government grants related to income amounting to EUR 364 thousand were received in fiscal year 2012 (previous year: EUR 353 thousand). Grants related to assets amounting to EUR 210 thousand (previous year: EUR 456 thousand) were deducted from the carrying amounts of the assets concerned.

9.3 Related party disclosures

9.3.1 Related party transactions

HX Group is a component of GEA Group that is reported as a segment in accordance with IFRS 8 in GEA Group's IFRS consolidated financial statements. Consequently, HX Group does not act as an independent company but represents a component of GEA Group that is managed as a whole by the Executive Board of GEA Group AG. In this connection, GEA Group AG and its subsidiaries perform certain central services for HX Group. In addition, GEA Group AG grants HX Group the right to use the GEA trademark (see section 1). Capital management and liquidity risk management for HX Group are also performed at the level of GEA Group AG, as part of the financial management of the overall GEA Group. For example, HX Group is largely financed by GEA Group, partially via finance facilities and partially via cash pools set up by GEA Group (see section 3). This includes both HX Group's use of GEA Group AG guarantee lines with banks and the issuance of group guarantees by GEA Group AG in favor of HX Group customers (see below).

Since HX Group is controlled by GEA Group AG, GEA Group AG and its affiliates qualify as related parties of HX Group.

Transactions between the companies included in HX Group's combined financial statements have been eliminated in the course of consolidation.

Income and expenses from HX Group's transactions with GEA Group AG and its affiliates are composed of the following items:

	Revenue	Other income	Purchases of goods and services	Other expenses	Interest income	Interest expense
	(EUR thousand)					
01/01/2012 - 12/31/2012						
GEA Group and consolidated companies	30,837	576	14,823	4,438	4,984	17,548
Other GEA Group AG equity investments	263	—	—	—	—	21
01/01/2011 - 12/31/2011						
GEA Group and consolidated companies	27,972	213	14,403	5,349	3,216	14,532
Other GEA Group AG equity investments	1,093	—	—	—	21	99

As of the reporting dates, there were the following open items from transactions between HX Group on the one hand and GEA Group AG and its affiliates on the other:

	Trade receivables	Trade payables	Other receivables	Other liabilities
	(EUR thousand)			
12/31/2012				
GEA Group and consolidated companies	8,242	2,978	367,386	578,833
Other GEA Group AG equity investments	19	225	2	5
12/31/2011				
GEA Group and consolidated companies	6,684	4,303	285,126	498,737
Other GEA Group AG equity investments	232	622	—	37,567
01/01/2011				
GEA Group and consolidated companies	6,501	2,768	222,633	322,201
Other GEA Group AG equity investments	594	177	2,378	15,413

Outstanding amounts are settled by bank transfer and are unsecured.

Income and expenses from transactions with HX Group companies and joint ventures not included in the combined financial statements are composed of the following items:

	Revenue	Other income	Purchases of goods and services	Other expenses	Interest income	Interest expense
	(EUR thousand)					
01/01/2012 - 12/31/2012						
Unconsolidated companies	18,586	1	20	—	101	1
Joint ventures	8,690	—	—	—	—	—
Associates	—	—	—	—	—	—
01/01/2011 - 12/31/2011						
Unconsolidated companies	21,525	60	72	3	26	4
Joint ventures	4,596	—	—	—	9	—
Associates	—	—	—	—	—	—

As of the reporting dates, there were the following open items from transactions between HX Group companies and joint ventures not included in the combined financial statements:

	Trade receivables	Trade payables	Other receivables	Other liabilities
	(EUR thousand)			
12/31/2012				
Unconsolidated companies	4,483	95	1,367	176
Joint ventures	1,287	583	450	—
Associates	—	—	—	—
12/31/2011				
Unconsolidated companies	10,459	775	10,923	321
Joint ventures	1,647	587	590	—
Associates	—	—	—	—
01/01/2011				
Unconsolidated companies	7,786	378	6,675	1,927
Joint ventures	527	1,382	672	—
Associates	—	—	—	—

Outstanding amounts are settled by bank transfer and are unsecured.

Bank guarantees and GEA Group AG guarantees

The HX companies utilized bank guarantee lines of GEA Group AG and also arranged for the issue of GEA Group AG group guarantees in favor of customers in fiscal years 2011 and 2012.

The beneficiaries are entitled to asset claims under the guarantees if the primary debtor fails to meet its contractual obligations, for example, in the case of late or defective delivery, non-compliance with warranted performance parameters, or failure to repay loans in accordance with the contractual requirements.

All guarantees issued by or on the instructions of GEA Group Aktiengesellschaft are issued on behalf of and with recourse against the relevant primary debtor.

GEA Group AG recharges to HX Group the costs related to the utilization of GEA Group AG guarantee lines and group guarantees issued by GEA Group AG in favor of customers.

The liabilities presented in the following table show the contingent liabilities for which the primary debtor is a company of HX Group, and for which GEA Group AG has issued or instructed the issue of bank or group guarantees in favor of customers or lenders.

	Bank guarantees			Group guarantees		
	31/12/2012	31/12/2011	01/01/2011	31/12/2012	31/12/2011	01/01/2011
	(EUR thousand)					
Guarantees for prepayment	49,513	57,004	111,386	2,675	1,193	1,719
Warranties	40,360	48,638	59,539	2,643	3,709	3,431
Performance guarantees	121,909	110,353	160,382	436,990	462,951	531,516
Other declarations of liability	21,720	36,671	67,989	171,279	243,228	253,581
Total	**233,502**	**252,666**	**399,296**	**613,587**	**711,081**	**790,247**

9.3.2 Remuneration of HX Group management

HX Group's key management personnel received total remuneration of EUR 1,923 thousand in fiscal year 2012 (previous year: EUR 3,987 thousand). This is composed of the following components:

	2012	2011
	(EUR thousand)	
Short term	1,738	2,738
Post-employment benefits	83	358
Termination benefits	—	608
Share-based payments	102	283
Total	**1,923**	**3,987**

There were no other transactions by HX Group's management or its related parties in either the reporting or the comparative period.

10. Events after the end of the reporting period

Dispute with a subcontractor in connection with a major order

With respect to the legal dispute with a subcontractor in connection with a major order in South Africa described under section 8.4, it was decided as part of the out-of-court mediation process that the subcontractor bears technical responsibility for the bolts. The subcontractor had appealed this to the contractually agreed court of arbitration. The court of arbitration is not expected to reach a decision before the end of 2014. Further delays arose at the construction site after the end of the reporting period; however, we do not believe that these are attributable to HX Group. Additionally, the subcontractor again made significant compensation claims for additional personnel and materials costs due to alleged disruptions and delays to the construction schedule. These significant additional costs mainly relate to the disruptions and delays. HX Group believes these to be the responsibility of the customer, and that the additional costs will therefore be recharged to the customer provided the claims are justified in principle and in terms of their amount. Moreover, the subcontractor again asserted significant compensation claims for additional wage expenses, which are attributable to an increase in construction site rates that was approved by the end customer. Here, too, there is a right to recharge these amounts to the customer, who can in turn assert these claims against the end customer.

Dispute with a customer in connection with outstanding fees

HX Group delivered three cooling towers for a power plant project in Russia and invoiced the customer for the most part in 2012. The customer has not yet paid the amount due, claiming that it will only have enough cash funds to settle the invoice in 2014. The customer has promised to pay the amount in installments.

11. List of companies included in the combined financial statements

The following list shows all of HX Group's companies and joint ventures included in the combined financial statements.

Company	Head Office	Country	Shares %
Included companies			
Beijing GEA Energietechnik Co., Ltd.	Beijing	China	100.00
Bliss & Co. Ltd.	Fareham	United Kingdom	100.00
Bliss Refrigeration Ltd.	Fareham	United Kingdom	100.00
Bloksma Asia Ltd.	Hong Kong	China	100.00
Dawmec Limited	Fareham	United Kingdom	100.00
Dobbelenberg S.A./N.V.	Haren, Brussels	Belgium	100.00
Ecodelta Ltd.	Zarechny	Russia	62.00
EGI Cooling System (China) Co. Ltd.	Tianjin	China	100.00
EGI Cooling Systems Trading (Beijing) Co.	Beijing	China	100.00
EGI Enerji Ins. Ic Ve Dis Tic. Ltd. Sti.	Ankara	Turkey	90.00
EGI Structura Kft.	Budapest	Hungary	76.00
GEA 2H Water Technologies GmbH	Wettringen	Germany	100.00
GEA 2H Water Technologies Ltd.	Northampton	United Kingdom	100.00
GEA 2H Water Technologies s.r.o.	Jilove	Czech Republic	70.97
GEA 2H Water Technologies Sp. z.o.o.	Bytom	Poland	63.00
GEA Air Treatment GmbH	Herne	Germany	100.00
GEA Air Treatment Production GmbH[1]	Wurzen	Germany	100.00
GEA Aircooled Systems (Pty) Ltd.	Germiston	South Africa	75.00
GEA Airflow Services SAS	Nantes	France	100.00
GEA ATG UK Holdings Limited	Cheshire, Warrington	United Kingdom	100.00
GEA Batignolles Technologies Thermiques Qatar L.L.C.	Doha	Qatar	100.00
GEA Batignolles Technologies Thermiques S.A.S.[1]	Nantes	France	100.00
GEA Batignolles Thermal Technologies (Changshu) Co. Ltd.	Changshu	China	100.00
GEA Bloksma B.V.[1]	Almere	Netherlands	100.00
GEA CALDEMON, S.A.	Revilla de Camargo, Cantabria	Spain	100.00
GEA Canada Inc.[1]	Lethbridge, Alberta	Canada	100.00
GEA DELBAG SAS[1]	Montry	France	100.00
GEA do Brasil Intercambiadores Ltda.[1]	Franco da Rocha	Brazil	100.00
GEA Ecoflex (Asia) Sdn. Bhd.	Shah Alam, Selangor	Malaysia	100.00
GEA Ecoflex China Co. Ltd.	Shanghai	China	100.00
GEA Ecoflex GmbH	Sarstedt	Germany	100.00
GEA Ecoflex India Private Limited	Rabale Navi, Mumbai	India	98.00
GEA Ecoflex Middle East FZE	Dubai	United Arab Emirates	100.00
GEA Ecoflex UK Limited	Birmingham	United Kingdom	100.00
GEA EcoServe België	Zele	Belgium	100.00
GEA EcoServe Deutschland GmbH	Holzwickede	Germany	100.00
GEA EcoServe Nederland B.V.[1]	Belfeld	Netherlands	100.00
GEA EGI Energiagazdálkodási Zrt.[1]	Budapest	Hungary	99.63
GEA Energietechnik GmbH	Bochum	Germany	100.00
GEA Energietechnik UK Limited	Moreton-On-Lugg, Hereford	United Kingdom	100.00
GEA Ergé-Spirale et Soramat S.A.[1]	Wingles	France	100.00
GEA Erste Kapitalbeteiligungen GmbH & Co. KG[1]	Bochum	Germany	100.00
GEA Goedhart B.V.	Sint Maartensdijk	Netherlands	100.00
GEA Goedhart Holding B.V.[1]	Sint Maartensdijk	Netherlands	100.00
GEA Happel Belgium N.V.	Haren, Brussels	Belgium	100.00
GEA Happel Nederland B.V.[1]	Capelle an der Yssel	Netherlands	100.00
GEA Happel SAS[1]	Roncq	France	100.00
GEA Heat Exchangers a.s.[1]	Liberec	Czech Republic	100.00
GEA Heat Exchangers AB[1]	Ystad	Sweden	100.00
GEA Heat Exchangers GmbH[1]	Bochum	Germany	100.00
GEA Heat Exchangers Limited[1]	Moreton-On-Lugg, Hereford	United Kingdom	100.00
GEA Heat Exchangers OÜ	Tallinn	Estonia	100.00
GEA Heat Exchangers Oy	Vantaa	Finland	100.00

Company	Head Office	Country	Shares %
GEA Heat Exchangers Pte. Ltd.	Singapore	Singapore	100.00
GEA Heat Exchangers S.r.l.[1]	Monvalle	Italy	100.00
GEA Heat Exchangers, Inc.[1]	Lakewood, Colorado	USA	100.00
GEA Ibérica S.A.[1]	Igorre	Spain	100.00
GEA Industrial Heat Exchanger Systems (China) Ltd.[1]	Wuhu	China	97.08
GEA Industrial Services Ltd.	Willenhall, West Midlands	United Kingdom	100.00
GEA ISISAN TESISAT INSAAT TAAHHÜT TICARET VE SANAYI A.S.	Istanbul	Turkey	100.00
GEA klima rashladna tehnika d.o.o.	Zagreb	Croatia	100.00
GEA Klima Sanayi ve Ticaret Anonim Sirketi A.S.	Istanbul	Turkey	100.00
GEA Klimatechnik GmbH[1]	Gaspoltshofen	Austria	100.00
GEA Klimatechnika Kft.	Budapest	Hungary	100.00
GEA Klimatizacia s.r.o.	Bratislava	Slovakia	100.00
GEA Klimatizacijska tehnika d.o.o.	Ljubljana	Slowenien	100.00
GEA Klimatyzacja Spolka z o.o.	Wroclaw	Poland	100.00
GEA Küba GmbH[1]	Baierbrunn	Germany	100.00
GEA Luftkühler GmbH[1]	Bochum	Germany	100.00
GEA Maschinenkühltechnik GmbH	Bochum	Germany	100.00
GEA Mashimpeks OOO	Moscow	Russia	100.00
GEA NEMA Wärmetauscher GmbH	Netzschkau	Germany	100.00
GEA Nilenca (Pty) Ltd.	Germiston	South Africa	74.83
GEA of Alabama, L.L.C.	Montgomery	USA	100.00
GEA Polacel Cooling Towers B.V.[1]	Doetinchem	Netherlands	100.00
GEA Polacel Cooling Towers FZCO	Dubai	United Arab Emirates	100.00
GEA Polska Sp. z o.o.[1]	Swiebodzice	Poland	100.00
GEA Power Cooling de Mexico S. de R.L. de C.V.	San Luis Potosí	Mexiko	100.00
GEA POWER COOLING TECHNOLOGY (CHINA) LTD.	Langfang	China	100.00
GEA Renzmann & Grünewald GmbH	Monzingen	Germany	100.00
GEA Saudi Arabia LLC	Al Kobar	Saudi Arabia	100.00
GEA Searle Ltd.	Fareham	United Kingdom	100.00
GEA Shanxi Dry Cooling Design Ltd.	Taiyuan, Shanxi	China	60.00
GEA Sistemas de Resfriamento Ltda.[1]	Indaiatuba	Brazil	100.00
GEA Technika Cieplna Spolka z o.o.	Opole	Poland	100.00
GEA Thermal Engineering Investments (Pty) Ltd.[1]	Germiston	South Africa	100.00
GEA WTT GmbH	Nobitz-Wilchwitz	Germany	100.00
GEA Zweite Kapitalbeteiligungen GmbH & Co. KG[1]	Bochum	Germany	100.00
OOO GEA Energietechnik	Moscow	Russia	100.00
SC GEA KLIMATECHNIK S.R.L.	Timisoara	Rumania	100.00
SCI Sartrouville	Sartrouville	France	100.00
TOV GEA-Ukrayina	Kiev	Ukraine	100.00
UAB GEA Klimatechnik	Vilnius	Lithuania	100.00
Joint Ventures			
GEA Cooling Tower Technologies (India) Private Limited	Chennai, Madras	India	51.00
GEA Shanxi Thermal Equipment Company Ltd.	Taiyuan, Shanxi	China	48.00
RSZ Rott Sarstedt Zerspanung GmbH	Sarstedt	Germany	50.00
TANSA-CALDEMON UTE	Muriedas Ayuntam. de Camargo	Spain	50.00
Wuhan Bloksma Heat Exchangers Co. Ltd.	Wuhan	China	50.00
Other equity investments			
Arbeitsgemeinschaft Zellenkühleranlage KKW Isar GEA Energietechnik GmbH-Alpine Bau D AG	Bochum	Germany	55.02
Joint Venture GEA Energietechnik GmbH - ELIKA ATEE	Kozani	Greece	47.00
KOS - GEA Korea Ltd.	Seoul	South Korea	25.00
TPK Mashimpeks	Moscow	Russia	34.00

1) Combined companies

Düsseldorf, December 5, 2013

Christoph Michel Michael Andersen

The following audit opinion has been issued in the German language according to the International Standards on Auditing (ISA) (V*ermerk des unabhängigen Abschlussprüfers*) and refers to the German version of the Combined Financial Statements for the financial years from January 1 to December 31, 2012 and January 1 to December 31, 2011 of the Heat Exchangers Group operations of GEA Group Aktiengesellschaft, Düsseldorf.

Independent Auditor's report

To GEA Group Aktiengesellschaft, Düsseldorf:

We have audited the accompanying Combined Financial Statements of the Heat Exchangers Group operations ("HX-Group") of GEA Group Aktiengesellschaft – which comprise the Combined Balance Sheet, the Combined Income Statement, Combined Statement of Comprehensive Income, Combined Cash Flow Statement, Combined Statements of Changes in Equity and the Notes to the Combined Financial Statements – for the period from January 1 to December 31, 2012 and January 1 to December 31, 2011.

Management's Responsibility for the Combined Financial Statements

HX-Group's Management is responsible for the preparation of these Combined Financial Statements that give a true and fair view of the financial position of HX-Group, its financial performance and its cash flows in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of Combined Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Combined Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Combined Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Combined Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Combined Financial Statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the Combined Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Combined Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Combined Financial Statements give a true and fair view of the financial position of HX-Group as at December 31, 2012 and December 31, 2011 and the HX-Group's financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by EU.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 to the Combined Financial Statements, which explains the basis of preparation, including the approach to and the purpose for preparing them. The Combined Financial Statements were prepared to present the financial position of the operations of the HX-Group and its financial performance and cash flows. The Combined Financial Statements may not necessarily be representative for the financial performance that would have been achieved if the HX-Group had operated as an independent entity.

Düsseldorf, December 5, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:**]**

Dr. Zeimes Wirtschaftsprüfer **[**German Public Accountant**]**	Dr. Heidemann Wirtschaftsprüfer **[**German Public Accountant**]**

Unaudited opening balance sheet of Galapagos Holding S.A. as of April 4, 2014

Opening Balance Sheet

The following table shows the opening balance sheet of the Senior Notes Issuer:

(in €)	**Opening balance sheet as of April 4, 2014**
Assets	
Subscribed capital unpaid	**—**
Formation expenses	**933.70**
Fixed assets	**31,000.00**
Financial assets	31,000.00
Current assets	**12,500.00**
Cash at bank and in hand	12,500.00
Prepayments	**—**
Total assets	**44,433.70**
Liabilities	
Capital and reserves	**12,500.00**
Subscribed capital	12,500.00
Subordinated creditors	**—**
Provisions	**—**
Non subordinated debts	**31,933.70**
Becoming due and payable after less than one year	933.70
Becoming due and payable after more than one year	31,000.00
Deferred income	**—**
Total liabilities	**44,433.70**

Unaudited opening balance sheet of Galapagos S.A. as of April 4, 2014

Opening Balance Sheet

The following table shows the opening balance sheet of the Senior Secured Notes Issuer:

(in €)	Opening balance sheet as of April 4, 2014
Assets	
Subscribed capital unpaid	**—**
Formation expenses	**1,096.82**
Fixed assets	**12,500.00**
Financial assets	12,500.00
Current assets	**31,000.00**
Cash at bank and in hand	31,000.00
Prepayments	**—**
Total assets	**44,596.82**
Liabilities	
Capital and reserves	**31,000.00**
Subscribed capital	31,000.00
Subordinated creditors	**—**
Provisions	**—**
Non subordinated debts	**13,596.82**
Becoming due and payable after less than one year	1,096.82
Becoming due and payable after more than one year	12,500.00
Deferred income	**—**
Total liabilities	**44,596.82**

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OFFERING MEMORANDUM

HEAT EXCHANGERS

Galapagos Holding S.A.

Galapagos S.A.

€325,000,000 Senior Secured Floating Rate Notes due 2021
€200,000,000 5.375% Senior Secured Fixed Rate Notes due 2021

€250,000,000 7.000% Senior Notes due 2022

Joint Bookrunners

Deutsche Bank, Commerzbank, ING, RBC Capital Markets, The Royal Bank of Scotland, UniCredit Bank

HEAT EXCHANGERS